

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

UNITED STATES AUTOMOBILE ) (  
ASSOCIATION ) (  
CIVIL ACTION NO.  
VS. ) (  
2:18-CV-245-JRG  
MARSHALL, TEXAS  
NOVEMBER 5, 2019  
WELLS FARGO BANK, N.A. ) ( 8:32 A.M.

TRANSCRIPT OF JURY TRIAL

MORNING SESSION

BEFORE THE HONORABLE CHIEF JUDGE RODNEY GILSTRAP,  
UNITED STATES DISTRICT JUDGE

APPEARANCES:

FOR THE PLAINTIFF:

JASON SHEASBY  
ANTHONY ROWLES  
LISA GLASSER  
IRELL & MANELLA  
1800 Avenue of the Stars  
Suite 900  
Los Angeles, CA 90067-4276

ROBERT CHRISTOPHER BUNT  
PARKER, BUNT & AINSWORTH, PC  
100 East Ferguson  
Suite 418  
Tyler, TX 75702

1 FOR THE DEFENDANT:

2  
3 THOMAS M. MELSHEIMER  
4 M. BRETT JOHNSON  
5 MICHAEL A. BITTNER  
6 J. TRAVIS UNDERWOOD  
7 WINSTON & STRAWN LLP  
8 2121 North Pearl Street  
9 Suite 900  
10 Dallas, TX 75201

11 E. DANIELLE T. WILLIAMS  
12 WINSTON & STRAWN LLP  
13 300 South Tyron Street  
14 16th Floor  
15 Charlotte, NC 28202

16 MATTHEW R. MCCULLOUGH  
17 WINSTON & STRAWN LLP  
18 275 Middlefield Road  
19 Suite 205  
20 Menlo Park, CA 94025

21 JACK WESLEY HILL  
22 WARD, SMITH & HILL, PLLC  
23 P.O. Box 1231  
24 1507 Bill Owens Parkway  
25 Longview, TX 75606

18 COURT REPORTER: Shelly Holmes, CSR, TCRR  
19 Official Court Reporter  
20 United States District Court  
21 Eastern District of Texas  
22 Marshall Division  
23 100 E. Houston  
24 Marshall, Texas 75670  
25 (903) 923-7464

23 (Proceedings recorded by mechanical stenography, transcript  
24 produced on a CAT system.)  
25

## P R O C E E D I N G S

(Jury out.)

COURT SECURITY OFFICER: All rise.

THE COURT: Be seated, please.

MR. SHEASBY: Your Honor, one of our associates just had to run out to the bathroom. May I please get him and bring him right back?

THE COURT: Do we need him to read the items from the list of pre-admitted exhibits into the record?

MR. SHEASBY: Yes.

THE COURT: Is that who you had lined up to do that?

MR. SHEASBY: No, Your Honor. He's at -- it's Mr. Rowles, I want him to be here for the jury. I'm going to go get him right now.

THE COURT: Well, I'll wait to bring the jury in if he's not back. Have a seat, Mr. Sheasby.

Are the parties prepared to read into the record the items from the list of the pre-admitted exhibits used during yesterday's portion of the trial?

MR. BUNT: Yes, Your Honor.

THE COURT: Please proceed.

MR. BUNT: Yesterday, Your Honor, the following exhibits were used: Plaintiff's Exhibit No. 22, PX-94, PX-438, PX-1182, there were also impeachment exhibits,

08:35:03 1 iX-0037, iX-0038, iX-0045, iX-0052, iX-0053, and iX-0073,  
08:35:18 2 and then there were some Defense Exhibits but I'll let  
08:35:22 3 Mr. Underwood read those in.

08:35:24 4 THE COURT: All right. Do Defendants have any  
08:35:26 5 objection to the rendition just offered by the Plaintiff?

08:35:30 6 MR. UNDERWOOD: We do not, Your Honor.

08:35:31 7 THE COURT: Do you have a similar rendition,  
08:35:34 8 Mr. Underwood?

08:35:34 9 MR. UNDERWOOD: We do. We have DTX-001, DTX-003,  
08:35:39 10 DTX-381, and DTX-613.

08:35:44 11 THE COURT: Any objection to that, Mr. Bunt, for  
08:35:48 12 Plaintiff?

08:35:48 13 MR. BUNT: No, Your Honor.

08:35:54 14 MR. HILL: Your Honor, may I inquire of just one  
08:35:56 15 issue, and it's just lack of clarity on my part.

08:36:00 16 Mr. Bunt read in the impeachment exhibits that  
08:36:05 17 were used yesterday. I assume those are not being offered  
08:36:07 18 into the record as substantive evidence. They're just  
08:36:09 19 being identified as having been used.

08:36:09 20 THE COURT: I would assume that's true.

08:36:12 21 MR. BUNT: I was actually offering them in as  
08:36:14 22 evidence for the record, Your Honor. They were published  
08:36:16 23 to the jury, I believe, all of them were published to the  
08:36:20 24 jury yesterday.

08:36:20 25 THE COURT: Well, to the extent they were

08:36:21 1 published to the jury and there was dialog between counsel  
08:36:28 2 and the witness, then that dialog is part of the transcript  
08:36:31 3 and in the record.

08:36:41 4 MR. BUNT: And with respect to the iX-37, 38, 45,  
08:36:47 5 52 and 53, they were established as business records for  
08:36:48 6 Mitek and they were certainly authenticated, as well.

08:36:51 7 THE COURT: Well, it's never been the Court's  
08:36:56 8 practice to include in this type of running record in  
08:37:00 9 the -- or running accounting in the record of items from  
08:37:05 10 the list of pre-admitted exhibits items that were not on  
08:37:10 11 the list of pre-admitted exhibits that were used for  
08:37:13 12 impeachment purposes only. The purpose of this rendition  
08:37:15 13 into the record each morning is to clarify in the record  
08:37:19 14 what comes from the list that we took up during pre-trial  
08:37:23 15 and the Court considered as to admissibility and designated  
08:37:26 16 as pre-admitted exhibits from those that were actually used  
08:37:30 17 during the trial before the jury and are a part of the  
08:37:33 18 evidence they are to consider and admitted exhibits for  
08:37:38 19 purposes of the trial.

08:37:38 20 I'm not going to -- I'm not going to change that  
08:37:45 21 process to add impeachment exhibits that weren't considered  
08:37:50 22 as a part of pre-trial, were not a part of the list of  
08:37:53 23 pre-admitted exhibits that's been drawn from to be  
08:37:57 24 identified by these renditions every morning before I bring  
08:38:00 25 the jury in.

08:38:01 1 To the extent they were used during the trial  
08:38:03 2 before the jury, the colloquies between Plaintiff --  
08:38:09 3 between counsel and the witness are clearly in the record  
08:38:12 4 as part of the transcript. There's never an offer of the  
08:38:19 5 impeachment document for admission when it's used. And I  
08:38:23 6 don't consider it to be a part of the record evidence in  
08:38:28 7 the case.

08:38:29 8 MR. BUNT: Thank you, Your Honor. I understand  
08:38:30 9 your ruling.

08:38:31 10 THE COURT: Okay. All right.

08:38:32 11 MR. HILL: Thank you, Your Honor.

08:38:33 12 THE COURT: All right. We ended yesterday with  
08:39:28 13 Ms. Lockwood-Stein. Are Defendants prepared to call their  
08:39:33 14 next witness?

08:39:33 15 MR. MELSHEIMER: We are so prepared, Your Honor.

08:39:35 16 THE COURT: All right. Then let's bring in the  
08:39:37 17 jury, Mr. Johnston.

08:40:04 18 COURT SECURITY OFFICER: All rise.

08:40:05 19 (Jury in.)

08:40:06 20 THE COURT: Good morning, and welcome back.  
08:40:18 21 Please have a seat.

08:40:19 22 Defendant, call your next witness.

08:40:29 23 MR. MELSHEIMER: May it please the Court, Your  
08:40:34 24 Honor. At this time Wells Fargo calls Mr. Chris Gerardi.

08:40:38 25 THE COURT: All right. Mr. Gerardi, if you'll

08:40:41 1 come forward and be sworn.

08:40:50 2 (Witness sworn.)

08:40:50 3 THE COURT: Please come around, sir, have a seat  
08:41:00 4 at the witness stand.

08:41:01 5 Do you have binders to distribute, Ms. Williams?

08:41:07 6 MS. WILLIAMS: Yes, Your Honor, I do.

08:41:09 7 THE COURT: You have leave to distribute them.

08:41:12 8 MS. WILLIAMS: Thank you, Your Honor.

08:41:32 9 THE WITNESS: Thank you.

08:41:34 10 MS. WILLIAMS: Thank you.

08:41:44 11 THE COURT: All right. Counsel, you may proceed  
08:41:45 12 with your direct examination of the witness when you're  
08:41:48 13 ready.

08:41:48 14 MS. WILLIAMS: Thank you, Your Honor. May it  
08:41:48 15 please the Court.

08:41:48 16 CHRIS GERARDI, DEFENDANT'S WITNESS, SWORN

08:41:48 17 DIRECT EXAMINATION

08:41:50 18 BY MS. WILLIAMS:

08:41:50 19 Q. Good morning.

08:41:52 20 A. Good morning.

08:41:52 21 Q. Will you please introduce yourself to the jury?

08:41:54 22 A. Sure. I'm Chris Gerardi.

08:41:57 23 Q. Mr. Gerardi, what is your role in this case?

08:41:59 24 A. I've been asked to provide my opinion on the economic  
08:42:02 25 damages should USAA prevail on its claims in this matter of

08:42:06 1 infringement.

08:42:07 2 Q. Did you prepare slides for us today to help illustrate  
08:42:11 3 your opinions?

08:42:12 4 A. Yes, I did.

08:42:13 5 Q. Now, let's talk about what qualifies you to render  
08:42:17 6 opinions in this case.

08:42:18 7 Will you please tell us what you do and where  
08:42:20 8 you've worked?

08:42:21 9 A. Sure. Currently I'm a vice president with a company  
08:42:25 10 called Charles River Associates. We're an economic  
08:42:28 11 consulting firm. I provide a variety of economic,  
08:42:33 12 financial, and accounting services to clients. Prior to  
08:42:35 13 Charles River Associates I was a senior managing director  
08:42:38 14 at FTI Consulting for 16 years where I co-lead the firm's  
08:42:43 15 disputes in intellectual property practice. And prior to  
08:42:46 16 that I was a partner at KPMG, which is one of the world's  
08:42:50 17 largest accounting and advisory services groups.

08:42:53 18 Q. Now, before all of that experience, did you go to  
08:42:56 19 school?

08:42:56 20 A. Yes, I did.

08:42:57 21 Q. Will you please tell us where you went to school?

08:42:59 22 A. Sure. I have my Bachelor's degree in economics from  
08:43:02 23 University of Massachusetts at Dartmouth, and I have a  
08:43:06 24 Master's degree in banking finance and money management  
08:43:08 25 from Adelphi University which is a small school up in New



08:43:14 1 York.

08:43:14 2 Q. During the course of your career, have you had  
08:43:16 3 experience in calculating damages in patent cases like this  
08:43:19 4 one?

08:43:19 5 A. Yes, I have. Over my career, I've worked on north of  
08:43:24 6 75 patent matters involving a variety of different  
08:43:28 7 industries working both for the Plaintiffs and Defendants.

08:43:31 8 THE COURT: Just a minute, folks. Mr. Gerardi,  
08:43:33 9 you're going to have to slow down, and Ms. Williams, you're  
08:43:36 10 going to have to slow down. Okay?

08:43:39 11 MS. WILLIAMS: Yes, Your Honor.

08:43:39 12 THE WITNESS: Yes, Your Honor.

08:43:40 13 THE COURT: All right. Let's proceed on that  
08:43:43 14 basis.

08:43:44 15 Q. (By Ms. Williams) Have any of those matters involved  
08:43:45 16 the banking industry?

08:43:46 17 A. Yes, they have, several.

08:43:48 18 Q. Would you please describe that a little bit for the  
08:43:49 19 jury?

08:43:49 20 A. Sure. So I worked on matters for Chase, Bank of  
08:43:53 21 America, HSBC, Citibank, to name a few.

08:43:59 22 Q. Has your -- has your work of your career involved  
08:44:02 23 assisting companies in valuing intellectual property, like  
08:44:06 24 patents and licensing those patents?

08:44:07 25 A. Yes. So outside of the context of litigation, I've

08:44:15 1 helped clients who are looking to monetize their  
08:44:18 2 intellectual property. I've helped them evaluate markets,  
08:44:20 3 I've helped them evaluate and edit their financial  
08:44:23 4 licensees and I've helped those clients evaluate what the  
08:44:28 5 economics of those licenses may be if they were to enter  
08:44:31 6 into some type of a licensing negotiation.

08:44:34 7 Q. Have you been qualified as a damages expert previously?

08:44:37 8 A. Yes. I've testified in federal court, state court, and  
08:44:43 9 international arbitrations for the work that I've done.

08:44:46 10 Q. Is your -- is FTI being compensated for the work that  
08:44:49 11 you have done on this case?

08:44:50 12 A. Yes, they are.

08:44:51 13 Q. What is the rate at which FTI is being compensated?

08:44:55 14 A. Approximately \$725.00 per hour.

08:45:00 15 Q. How many hours have you spent on this case?

08:45:02 16 A. Approximately 170, 175 hours.

08:45:06 17 Q. Does your work -- does FTI's compensation in this case  
08:45:10 18 depend on the outcome in any way?

08:45:12 19 A. No, it does not.

08:45:16 20 MS. WILLIAMS: Your Honor, we offer Mr. Gerardi as  
08:45:19 21 an expert on the valuation of intellectual property and the  
08:45:21 22 calculation of patent damages.

08:45:22 23 THE COURT: Is there objection?

08:45:23 24 MR. SHEASBY: No objection, Your Honor.

08:45:24 25 THE COURT: Then Court will recognize this witness

08:45:27 1 as an expert in the designated fields.

08:45:29 2 Please continue.

08:45:30 3 MS. WILLIAMS: Thank you, Your Honor.

08:45:31 4 Q. (By Ms. Williams) Mr. Gerardi, let's turn to the work  
08:45:33 5 that you did in this case.

08:45:34 6 What were you asked to do?

08:45:35 7 A. Three tasks. One is to provide my own opinion -- my  
08:45:44 8 affirmative opinion of what the damages would be in this  
08:45:46 9 case for the claims at issue.

08:45:48 10 Second, was to provide my perspective of -- of the  
08:45:55 11 positions presented by Mr. Weinstein, who you heard from  
08:45:59 12 previously.

08:45:59 13 And, third, to provide some perspective of the  
08:46:03 14 damages related aspects of Mr. Calman's testimony, as well.

08:46:06 15 Q. Are you here to provide any opinion on infringement to  
08:46:08 16 this jury?

08:46:09 17 A. No, not at all.

08:46:10 18 Q. To be clear, you don't have any opinion on whether  
08:46:13 19 Wells Fargo infringes USAA's patents?

08:46:16 20 A. No, I do not.

08:46:20 21 Q. And you don't have any opinion as to whether Wells  
08:46:24 22 Fargo's Mobile Deposit product does the specific USAA form  
08:46:26 23 of auto capture?

08:46:27 24 A. No, I do not.

08:46:28 25 Q. And by providing your testimony to the jury today, are

08:46:31 1 you suggesting in any way that Wells Fargo owes money to  
08:46:33 2 USAA?

08:46:34 3 A. No, I am not.

08:46:36 4 Q. What materials did you consider in forming your  
08:46:42 5 opinion?

08:46:42 6 A. So I reviewed a number of documents produced by both  
08:46:48 7 USAA and Wells Fargo.

08:46:51 8 Q. And on this slide, do we see a listing of that  
08:46:54 9 information?

08:46:54 10 A. Yes, on the left-hand side of that slide.

08:46:57 11 Q. Would you just highlight some of that information for  
08:46:59 12 the jury?

08:47:00 13 A. Sure. So the documents produced by the parties, the  
08:47:03 14 deposition transcripts that were of USAA and Wells Fargo's  
08:47:08 15 witnesses, the expert reports that were produced by  
08:47:11 16 Mr. Calman and Mr. Weinstein, publicly available  
08:47:15 17 information that I've obtained. I also relied upon my own  
08:47:20 18 experience having worked on several patent matters  
08:47:22 19 involving banks and payment-related processing,  
08:47:26 20 intellectual property.

08:47:27 21 On the right side, I also interviewed several  
08:47:30 22 people in forming my opinions, a number of folks from Wells  
08:47:34 23 Fargo. For example, Ms. Lockwood-Stein, who you heard from  
08:47:36 24 yesterday. And I also spent time with Dr. Villasenor  
08:47:40 25 talking to him about the technical aspects of the case.

08:47:44 1 Q. Why did you talk with Ms. Lockwood-Stein and  
08:47:46 2 Dr. Villasenor?

08:47:47 3 A. Part of my analysis is to really understand what the  
08:47:51 4 intellectual property is at issue and how it relates and  
08:47:55 5 how it's alleged to be used within Wells Fargo's systems.  
08:47:58 6 And so I talked to Dr. Villasenor for that aspect of it  
08:48:01 7 because he's -- he's the technical expert.

08:48:05 8 Another part of it is I needed to understand Wells  
08:48:08 9 Fargo's business and the mobile remote deposit capture  
08:48:11 10 system. And -- and that is Ms. Lockwood-Stein's area of  
08:48:14 11 responsibility, so I talked to her about that and the  
08:48:19 12 documents that were produced in this matter so I can put  
08:48:21 13 them in proper context.

08:48:23 14 Q. Have you been with us during trial since the opening  
08:48:27 15 statements?

08:48:27 16 A. Yes, I have.

08:48:28 17 Q. Before we go into the details of your opinions, would  
08:48:31 18 you give us an overview of those?

08:48:33 19 A. Sure. I have three. So, again, my job is to evaluate  
08:48:37 20 what is the incremental benefit provided by the  
08:48:42 21 patents-in-suit. And so I know that Wells Fargo has a  
08:48:48 22 manual capture remote deposit system that exists. That's  
08:48:54 23 already there.

08:48:54 24 My job is to evaluate what's the additional  
08:48:56 25 benefits that Wells Fargo would have achieved by adding

08:49:00 1 auto capture to -- to that system. And my analysis  
08:49:02 2 indicates that that is no more than \$12.5 million.

08:49:06 3 Second, based upon my review of -- of  
08:49:10 4 Mr. Weinstein's work and listening to his testimony, I  
08:49:14 5 don't think he's actually providing a value of the  
08:49:17 6 incremental benefits of those patents.

08:49:19 7 And, third, listening to the testimony, reading  
08:49:24 8 Mr. Calman's work, that 40 percent apportionment factor  
08:49:28 9 that Mr. Weinstein is relying upon in my opinion, it's  
08:49:30 10 just -- it's just wrong.

08:49:32 11 Q. Now, Mr. Gerardi, while you were sitting in trial, did  
08:49:37 12 you identify any agreements that you and Mr. Weinstein had?

08:49:42 13 A. Oh, yes, there were several. There were several.

08:49:46 14 Q. Would you please walk us through the agreements?

08:49:48 15 A. Sure. So -- and Mr. Weinstein laid out the construct  
08:49:52 16 for this hypothetical negotiation.

08:49:55 17 We both agree that a reasonable royalty is an  
08:49:58 18 appropriate measure of damage. We both agree that this  
08:50:02 19 hypothetical -- hypothetical negotiation and assumptions  
08:50:05 20 that go behind that hypothetical negotiation in terms of  
08:50:09 21 the structure, what was known at the time, what was known  
08:50:12 22 and what could be used in future events. The date of that  
08:50:17 23 hypothetical negotiation is March 2015, we both agree on.

08:50:20 24 Mr. Weinstein and I both use and we both consider  
08:50:22 25 those Georgia-Pacific factors that he identified and talked

08:50:25 1 to you about as helping to inform our analyses and helping  
08:50:29 2 us conduct that hypothetical negotiation.

08:50:33 3 And we both agree that the damage period for this  
08:50:36 4 case is going to run from December 2016 through trial. We  
08:50:41 5 both, I believe, used November 4th as the date of our -- of  
08:50:45 6 our analyses. So December 15th, 2006, through November 4th  
08:50:50 7 of -- of today.

08:50:51 8 Q. Now, December '16 through November 4th, 2019, is just  
08:51:01 9 under three years. Do you agree with that?

08:51:02 10 A. Yes, it's about 2.89 years.

08:51:05 11 Q. Are there other areas that you agreed with  
08:51:08 12 Mr. Weinstein?

08:51:10 13 A. Yes, there are.

08:51:11 14 Q. Will you please describe those for the jury?

08:51:14 15 A. Sure. And, again, this is a very important piece.  
08:51:17 16 This is something that both Mr. Weinstein and I both agree  
08:51:20 17 on.

08:51:22 18 Again, we're measuring the benefits attributable  
08:51:24 19 to the patents-in-suit, and -- and so the benefits  
08:51:28 20 attributable to the patents-in-suit and - and the proper  
08:51:31 21 quantification of those benefits puts a cap on -- on what  
08:51:34 22 the damages would be as to how we're calculating our  
08:51:38 23 royalty opinion.

08:51:39 24 Q. And does Mr. Weinstein -- is this the testimony from  
08:51:43 25 Mr. Weinstein last week where he's indicating his agreement

08:51:46 1 with you on the cap?

08:51:47 2 A. Yes, it is. As you can see there, he's saying that the  
08:51:51 3 switch to manual capture, it places a finite cap on what  
08:51:56 4 the amount of the damages would be.

08:51:58 5 Q. Now, as far as non-infringing alternatives, what would  
08:52:02 6 you do to analyze that?

08:52:04 7 A. So a couple of things, and if I could, maybe just to  
08:52:08 8 reorient ourselves, the hypothetical negotiation that we  
08:52:11 9 were looking at is going to occur here in the 2015 time  
08:52:15 10 frame.

08:52:16 11 At that point in time, we knew that Wells Fargo  
08:52:20 12 had over the course of three and a half years or so spent a  
08:52:24 13 significant amount of time evaluating MRDC and that MRDC  
08:52:30 14 was a manual capture MRDC because auto capture didn't exist  
08:52:34 15 at that time. And so we know that -- that Wells Fargo had  
08:52:37 16 evaluated that, and Ms. Lockwood-Stein testified to some of  
08:52:42 17 that, as well.

08:52:43 18 We also know at the time of the hypothetical  
08:52:46 19 negotiation that Wells Fargo was already in the market  
08:52:50 20 for -- for two years -- a little over two years, with a  
08:52:53 21 working viable manual capture MRDC system. And so that's  
08:53:00 22 one -- or two pieces of evidence.

08:53:02 23 THE COURT: Counsel, approach the bench, please.

08:53:05 24 (Bench conference.)

08:53:09 25 THE COURT: I'm told by the courtroom deputy that



08:53:13 1 the monitors are not working at Plaintiff's counsel table;  
08:53:17 2 is that correct?

08:53:17 3 MR. SHEASBY: That's correct. But we didn't want  
08:53:19 4 to interrupt the examination, Your Honor.

08:53:20 5 THE COURT: Well, I don't -- I mean, I assume this  
08:53:22 6 is going to be a lengthy examination. If we need to get  
08:53:25 7 somebody in here and get them fixed, now is the time to do  
08:53:27 8 it.

08:53:28 9 MR. SHEASBY: I think we probably should.

08:53:29 10 THE COURT: I mean, I would do the same thing if  
08:53:31 11 they were not working at defense table.

08:53:33 12 MS. WILLIAMS: Oh, of course, Your Honor. Yes, of  
08:53:35 13 course, by all means.

08:53:36 14 THE COURT: All right. I'll send the jury out for  
08:53:40 15 just a few minutes. The Court has an IT person on staff  
08:53:44 16 here, and I assume you have an IT person.

08:53:47 17 MR. SHEASBY: Yes, Your Honor.

08:53:48 18 THE COURT: We'll get them in here and see if we  
08:53:51 19 can get it fixed.

08:53:52 20 MR. SHEASBY: Thank you.

08:53:52 21 MS. WILLIAMS: Yes, Your Honor. Thank you.

08:53:55 22 (Bench conference concluded.)

08:53:55 23 THE COURT: Ladies and gentlemen, there's a  
08:53:56 24 technical issue that's arisen that we need to take care of  
08:54:00 25 that shouldn't take more than a few minutes, but I'm not

08:54:02 1 going to keep you in the courtroom or in the jury box while  
08:54:05 2 that's done.

08:54:06 3 I'm going to ask you to retire to the jury room  
08:54:09 4 for just a few minutes. You can leave your notebooks in  
08:54:11 5 your chairs, if you will. Just close them. Follow all my  
08:54:14 6 instructions and don't discuss the case -- clearly not to  
08:54:17 7 discuss the case among yourselves. And hopefully in just a  
08:54:21 8 few minutes we'll have you back in here.

08:54:23 9 The jury is excused to the jury room.

08:54:25 10 COURT SECURITY OFFICER: All rise.

08:54:26 11 (Jury out.)

08:54:29 12 THE COURT: All right. I understand Plaintiff's  
08:54:47 13 monitors are not working on their counsel table. Let's see  
08:54:51 14 if we can get them fixed, whoever your IT person is. And  
08:54:59 15 then the Court's IT person is on the way in.

08:55:01 16 We'll go off the record.

08:55:04 17 (Recess.)

08:55:53 18 THE COURT: All right. Let's go back on the  
08:55:54 19 record.

08:55:55 20 Counsel, if you'll take your places.

08:55:57 21 Mr. Johnston, if you'll bring the jury back in.

08:56:01 22 It appears we now have the problem fixed.

08:56:21 23 COURT SECURITY OFFICER: All rise.

08:56:21 24 (Jury in.)

08:56:27 25 THE COURT: Thank you, ladies and gentlemen.

08:56:41 1 Please have a seat.

08:56:42 2 We'll continue with Defendant's direct examination  
08:56:46 3 of Mr. Gerardi.

08:56:47 4 Ms. Williams, you may proceed.

08:56:50 5 MS. WILLIAMS: Thank you, Your Honor.

08:56:51 6 Q. (By Ms. Williams) Mr. Gerardi, we were -- before we  
08:56:53 7 broke, we were talking about manual capture and what forms  
08:56:58 8 the basis of your belief that it is a non-infringing  
08:57:02 9 alternative.

08:57:02 10 Will you please -- so what is it -- why do you --  
08:57:06 11 why is it your opinion that it's a non-infringing  
08:57:08 12 alternative?

08:57:08 13 A. Sure. So, again, just to pick up where we left off, we  
08:57:13 14 can see that USAA -- I'm sorry, Wells Fargo was in the  
08:57:17 15 market for two years prior to that.

08:57:20 16 And if you look at their expectations, these are  
08:57:24 17 data -- I think we've seen some examples of this  
08:57:28 18 previously -- Wells Fargo had initially back in this time  
08:57:31 19 frame, 2009, '10, and '11, projected what they thought the  
08:57:36 20 market was going to look like.

08:57:37 21 And if you look at the actual Wells Fargo  
08:57:40 22 volume -- MRDC volume, a manual capture-only system, you  
08:57:44 23 can see by 2013, they were significantly well above their  
08:57:48 24 expectations. And so they were putting through volume that  
08:57:51 25 far exceeded what they thought was going to happen. So

08:57:53 1 another indication that it was a viable alternative for  
08:57:56 2 them.

08:57:59 3 Q. Did you see anything else that -- that suggested to you  
08:58:01 4 that manual capture was acceptable?

08:58:02 5 A. Yes, I did. We knew, again, at the time of the  
08:58:09 6 hypothetical negotiation that Chase, second largest bank in  
08:58:12 7 the country at the time, was in the market for five years  
08:58:15 8 at that point in time performing manual capture MRDC.

08:58:18 9 Q. And what about USAA, is there any information about  
08:58:23 10 their use of manual capture that you considered?

08:58:26 11 A. Sure. Again, we knew at the time of the hypothetical  
08:58:30 12 negotiation that USAA was in the market for approximately  
08:58:32 13 four years with a viable, working manual capture MRDC  
08:58:37 14 system.

08:58:38 15 So all those things would have been known prior to  
08:58:40 16 the hypothetical negotiation that we're looking at.

08:58:43 17 Q. So, at the time of the hypothetical negotiation, USAA  
08:58:46 18 and Wells Fargo both would have known about Wells Fargo's  
08:58:50 19 use of manual capture, Chase's use of manual capture, and  
08:58:54 20 USAA's manual capture. Do I understand that correctly?

08:58:57 21 A. Yes, you do.

08:58:59 22 Q. You've heard testimony while you've been sitting in  
08:59:03 23 trial about -- from USAA contesting whether manual capture  
08:59:09 24 could be performed at scale. Do you -- do you have an  
08:59:12 25 understanding of what "at scale" means?

08:59:13 1 A. So I think in this context, "at scale" means are the  
08:59:18 2 systems at or can be expanded to accommodate the volumes  
08:59:22 3 that we're talking about or that were expected by the banks  
08:59:25 4 at that time.

08:59:25 5 And so by looking, again, at USAA's own  
08:59:30 6 experience -- I'm sorry, Wells Fargo's own experience, they  
08:59:32 7 were expecting this; they got that. You could see that  
08:59:38 8 Chase was in the market, and as the second largest bank,  
08:59:41 9 provides processing for a lot of checks. They were doing  
08:59:45 10 that at scale, as well.

08:59:46 11 Q. Based on your review -- let me -- while you've been  
08:59:51 12 here, you've also heard about the Futurion Report, correct?

08:59:54 13 A. I have.

08:59:56 14 Q. All right. And -- and the Futurion Report says that  
09:00:01 15 auto capture must now be treated as a must have feature  
09:00:05 16 across all strata of the financial services industry. Do  
09:00:08 17 you remember that?

09:00:09 18 A. I do remember that.

09:00:11 19 Q. Okay. And you've seen that in PX-5, correct?

09:00:14 20 A. Yes, I have.

09:00:15 21 Q. Now, how does that impact your analysis of whether  
09:00:20 22 manual capture was an acceptable alternative to auto  
09:00:25 23 capture?

09:00:25 24 A. I've not seen any empirical data from the Futurion  
09:00:33 25 Studies at all that would allow me, or I think anyone else,

09:00:37 1 to evaluate, to what extent a customer is going to come to  
09:00:41 2 a bank or leave a bank, whether that bank has auto capture.  
09:00:43 3 I haven't seen any of that empirical data in here at all.

09:00:47 4 I disagree with several of the points that are in  
09:00:57 5 the Futurion Studies.

09:00:58 6 Q. Has Wells Fargo made any business decisions with regard  
09:01:01 7 to its Mobile Deposit product that you considered as part  
09:01:04 8 of your analysis around manual capture?

09:01:07 9 A. Yes, they have.

09:01:08 10 Q. And what is that?

09:01:09 11 A. Yesterday, you heard from Ms. Lockwood-Stein again that  
09:01:13 12 after Wells Fargo introduced its auto capture in 2015 --  
09:01:20 13 2000 -- yeah, that point in time, there were a number of  
09:01:23 14 complaints. There were a number of issues that came up  
09:01:27 15 that Ms. Lockwood-Stein and others were aware of. And they  
09:01:29 16 made an informed business decision to reintroduce that  
09:01:34 17 button that we see there back onto the screen to  
09:01:38 18 accommodate or to address the concerns that were raised by  
09:01:42 19 their customers that they wanted auto -- that they wanted  
09:01:47 20 manual capture.

09:01:47 21 Q. While you've been in trial or sitting in trial, have  
09:01:51 22 you heard any witness for either side disagree that manual  
09:01:58 23 capture does not infringe USAA's patents?

09:02:00 24 A. No, I have not.

09:02:03 25 Q. If the jury agrees that mobile deposit with manual

09:02:12 1 capture is an acceptable alternative to auto capture, what  
09:02:15 2 analysis did you do to calculate damages?

09:02:17 3 A. So, again, my role is to evaluate the -- the addition  
09:02:24 4 of value provided by auto capture over the pre-existing  
09:02:32 5 mobile remote deposit system that's using manual capture.

09:02:36 6 So my analysis is to say what's the incremental  
09:02:39 7 difference there. And so I want to look at what's  
09:02:41 8 happening up here at the MRDC level and evaluate what's  
09:02:45 9 going on between auto capture and manual capture.

09:02:49 10 Q. And you have up here on -- on your slide ATM and  
09:02:55 11 teller. Are -- are these other ways that checks get  
09:02:58 12 deposited at Wells Fargo?

09:02:59 13 A. Sure. So, again, there's three primary ways an item or  
09:03:03 14 a check gets into the bank.

09:03:04 15 One is through MRDC. Second is going to be  
09:03:09 16 through the ATM channel. Third is going to be through the  
09:03:13 17 teller channel.

09:03:14 18 And, again, I think it's important to recognize  
09:03:16 19 that once those three items and those images are taken,  
09:03:22 20 once they get sent into the system, everything that occurs  
09:03:25 21 in that closet, everything that occurs in that back end,  
09:03:29 22 it's all the same. All those items being processed the  
09:03:32 23 same, once they're entered into the system.

09:03:35 24 Q. Is this information that the parties both would have  
09:03:39 25 known at the time of the hypothetical negotiation?

09:03:41 1 A. Yes, absolutely.

09:03:42 2 Q. And why is it -- and to your knowledge, does USAA agree  
09:03:48 3 with that?

09:03:48 4 A. Yes, I understand they do.

09:03:52 5 Q. And is this Mr. Bueche's testimony from earlier in the  
09:04:00 6 trial?

09:04:00 7 A. Yes. So I was here, and Mr. Bueche did agree that  
09:04:05 8 regardless of the capture method, whether it's MRDC, ATM,  
09:04:11 9 or teller, once that item gets put to -- put into the  
09:04:15 10 system, everything that goes on beyond in that door that I  
09:04:19 11 had in the illustration is the same.

09:04:21 12 Q. Well, describe for us when you're evaluating damages,  
09:04:24 13 what is it that you're trying to value?

09:04:26 14 A. So, again, you want to measure the incremental benefit.  
09:04:31 15 What's the change between -- or what's the benefit that the  
09:04:34 16 bank has received?

09:04:35 17 In this matter, I'm looking at the incremental  
09:04:38 18 benefit or the additional benefit provided between the  
09:04:42 19 manual capture process that the bank was already using and  
09:04:46 20 not accused of infringing and the auto capture system that  
09:04:48 21 is accused of infringement, and a specific method of auto  
09:04:53 22 capture using USAA's patents.

09:04:54 23 Q. Did Mr. Weinstein do the same analysis?

09:04:58 24 A. No, he didn't.

09:04:59 25 Q. All right. We'll talk about that a little bit later.



09:05:02 1 Now, when you went to do your analysis of this  
09:05:08 2 incremental benefit, where did you start?

09:05:10 3 A. So I started with trying to evaluate what were the  
09:05:14 4 acceptance rates. And we've heard a lot of testimony the  
09:05:17 5 last few days about manual capture and auto capture  
09:05:20 6 acceptance rates or success rates.

09:05:23 7 And so I wanted to first evaluate and see what are  
09:05:26 8 Wells Fargo's acceptance rates, both from a manual capture  
09:05:29 9 standpoint and from an auto capture standpoint.

09:05:32 10 Q. Where did you find the manual success rate information?

09:05:38 11 A. So PX-31 was a document that Ms. Lockwood-Stein  
09:05:43 12 presented to you yesterday -- yesterday is the starting  
09:05:48 13 point from what I looked at and what I used.

09:05:52 14 Q. And looking at PX-31, what data points from this  
09:05:58 15 information that Wells Fargo provided did you use?

09:05:59 16 A. So what you see on the screen primarily is a summation  
09:06:03 17 of the information that I pulled out of PX-31. And you can  
09:06:08 18 see that we look at the still rates for both iOS and  
09:06:12 19 Android. We looked at the manual acceptance rates for iOS  
09:06:16 20 and Android -- and I calculated that last column. It's  
09:06:19 21 called still and manual weighted average acceptance  
09:06:22 22 rates -- for the period January of '17 through May '19.  
09:06:26 23 And I used the period -- the data from January of 2018  
09:06:31 24 which demonstrated a manual weighted average acceptance  
09:06:36 25 rate of 81.17 percent.

09:06:37 1 Q. Did you also find -- or look for success rates for auto  
09:06:43 2 capture?

09:06:43 3 A. Yes, I did.

09:06:45 4 Q. Where did you -- where did you find that information?

09:06:49 5 A. So, again, using Lockwood-Stein -- I'm sorry, PX-31,  
09:06:54 6 same source, same document -- I used that source, as well.

09:06:58 7 Q. And when you looked at PX-31, the information provided  
09:07:02 8 by Wells Fargo, what did you determine?

09:07:04 9 A. So, again, this is what you see is a summation of the  
09:07:08 10 information I pulled out of PX-31. I can see the auto  
09:07:11 11 capture acceptance rates for both iOS, Apple, and the  
09:07:16 12 Android systems. And, again, I calculated that weighted  
09:07:20 13 average auto capture acceptance rate, and that ranged  
09:07:24 14 anywhere from 77.86 percent to 90.79 percent.

09:07:29 15 Q. So for auto capture, you used a range?

09:07:31 16 A. For auto capture, I used the actual data that Wells  
09:07:36 17 Fargo experienced over that time period, that's correct.

09:07:38 18 Q. And for manual capture, you picked 81.17 percent?

09:07:43 19 A. Correct.

09:07:44 20 Q. And if we look at the manual capture rates from -- from  
09:07:48 21 PX-31 -- I mean, 81.17 percent looks like the highest  
09:07:52 22 number you could have selected?

09:07:54 23 A. It's not the highest, but it is close to the highest.

09:07:57 24 Q. And why did you do that?

09:07:58 25 A. So, again, remember Ms. Lockwood-Stein testified that

09:08:05 1 PX-31 represents the data that Wells Fargo observed, and  
09:08:11 2 particularly the manual capture data that Wells Fargo  
09:08:14 3 observed, after the item has already failed auto capture.

09:08:18 4 So -- so it's an artificially low representation  
09:08:22 5 of what Wells Fargo would have experienced or expected to  
09:08:27 6 have experienced at the time of this hypothetical  
09:08:29 7 negotiation for a true manual capture system.

09:08:32 8 I used other data to corroborate that, but I used  
09:08:36 9 that data, given the limitations of what's in PX-31.

09:08:40 10 Q. Once you had the success rate for manual capture and  
09:08:47 11 the success rate for auto capture from Wells Fargo's data,  
09:08:51 12 what did you do next?

09:08:52 13 A. So, again, the second thing I did is just to put it  
09:08:55 14 into text in evaluating that.

09:09:00 15 So -- so what we can see here -- so for the period  
09:09:04 16 in question, December '16 through -- through November '19,  
09:09:08 17 we have a number of MRDC deposits, and it's 231.3 million  
09:09:14 18 units or so. That's in the second -- first column.

09:09:18 19 Mr. Weinstein and I agree on that number. That's  
09:09:21 20 not -- not something we dispute.

09:09:23 21 I looked at the manual capture -- I'm sorry, the  
09:09:25 22 but for capture rates. I'm going to use 81.17 percent  
09:09:30 23 because I'm saying had Wells Fargo continued with its  
09:09:34 24 manual capture MRDC system, that is the level of manual  
09:09:40 25 capture acceptance rates they would have considered. I

09:09:43 1 looked at the auto capture acceptance rates over time, and  
09:09:46 2 I calculated the difference between those two, and if the  
09:09:50 3 calculation of those -- the difference between those two  
09:09:56 4 leads me to the additional number of checks that would need  
09:10:00 5 to be processed manually if they didn't use auto capture.  
09:10:03 6 So that comes up to 16.4 million units approximately.

09:10:13 7 Q. Sorry. Did you consider any other data in this step of  
09:10:17 8 your analysis?

09:10:18 9 A. Yes, I did.

09:10:19 10 Q. Will you please tell us what you considered?

09:10:21 11 A. So there were a number of pieces of information, and,  
09:10:25 12 again, let's orient ourselves. I'm back at the time of  
09:10:28 13 this hypothetical negotiation, and I'm Wells Fargo and I'm  
09:10:32 14 USAA, and I'm trying to understand what is an expected  
09:10:37 15 manual capture acceptance rate. And so we talked about  
09:10:40 16 what I -- what I used from US -- Wells Fargo's perspective.

09:10:44 17 I know that in 2012, and the parties know that in  
09:10:48 18 2012, USAA's manual capture success rate was 83.9 percent,  
09:10:53 19 so approximately 84 percent. They would also know that in  
09:10:57 20 the first full year after going to auto capture, the  
09:11:00 21 success rate was 87.3 percent. So roughly a three and a  
09:11:07 22 half, 4 point differential.

09:11:10 23 Q. Now, we've heard about Mitek. Did you consider any --  
09:11:13 24 any information from Mitek during this part of your  
09:11:16 25 analysis?

09:11:16 1 A. Yes, I did.

09:11:17 2 Q. What did you consider?

09:11:18 3 A. So, again, Mitek -- and they're the provider of  
09:11:23 4 these -- of these front-end systems -- Mitek's expectation  
09:11:28 5 that adding auto capture would improve a customer's manual  
09:11:34 6 capture experience by approximately 5 to 7 percent.

09:11:37 7 Q. And you are -- you're referencing DTX-232?

09:11:41 8 A. Oh, yes, my apologies, DTX-232.

09:11:49 9 Q. During trial, have you heard any additional information  
09:11:51 10 that you -- that supports your 81.17 percent?

09:11:55 11 A. Yes, I have.

09:11:55 12 Q. What is that?

09:11:56 13 A. So the first thing we had was -- was Mr. Calman's  
09:12:03 14 demonstrative PDX-3.9. So he's looking at here -- at two  
09:12:09 15 points in time from USAA's experience from April 2013. It  
09:12:12 16 shows a 15.97 percent failure rate. What that -- what that  
09:12:16 17 means is there's an 84 percent acceptance rate. And he's  
09:12:21 18 showing a 9.31 percent failure rate when they went to auto  
09:12:25 19 capture, which, again, translates to a 90, 91 percent  
09:12:29 20 acceptance rate. So the difference between those two, as  
09:12:32 21 he states here, is a 6.6 percent differential in the  
09:12:36 22 acceptance rates on moving from manual to auto.

09:12:39 23 Q. Did Mr. Calman also talk about a DT -- DTX-160?

09:12:47 24 A. Yes, I believe he did.

09:12:48 25 Q. Let's look at that. And what does this tell us about

09:12:52 1 manual acceptance rates?

09:12:53 2 MR. SHEASBY: Your Honor, objection. Outside of  
09:12:55 3 the scope of his report.

09:12:56 4 THE COURT: What's your response, Ms. Williams?

09:13:02 5 MS. WILLIAMS: Your Honor, Mr. Calman testified to  
09:13:04 6 DTX-160, at trial. And so Mr. Gerardi is identifying that  
09:13:09 7 to corroborate what he's already testified to. In  
09:13:12 8 addition, it is one of the documents that he reviewed in  
09:13:16 9 connection with his report.

09:13:20 10 THE COURT: The objection is overruled.

09:13:29 11 Q. (By Ms. Williams) Mr. Gerardi, Mr. Calman identified  
09:13:32 12 DTX-160 during his testimony and talked about it. How did  
09:13:35 13 you -- what does this tell us about the 81.17 percent  
09:13:39 14 manual acceptance rate?

09:13:40 15 A. So what this document is, it's a document produced by  
09:13:47 16 Wells Fargo at a point in time that shows that for the  
09:13:50 17 period September 5th, they had a pre-MiSnap, so, again,  
09:13:58 18 pre-auto capture acceptance rate of 20.48 percent -- I'm  
09:14:04 19 sorry, failure rate. So the acceptance rate is the inverse  
09:14:08 20 of that. So approximately 80 percent.

09:14:11 21 It shows that post-MiSnap, they had an 18.68  
09:14:16 22 percent failure rate. And so, again, that shows in their  
09:14:21 23 own words roughly 6 percent improvement. Limited data but  
09:14:26 24 it shows that they were experiencing a 6 -- a 6 percent  
09:14:31 25 improvement moving from manual capture to auto capture.

09:14:33 1 Q. And this was in 2014?

09:14:38 2 A. Yes, ma'am. So, again, it was prior to the  
09:14:42 3 hypothetical negotiation.

09:14:42 4 Q. Did you hear any testimony from Mr. Bueche about  
09:14:47 5 acceptance rates during trial?

09:14:49 6 A. Yes, I did.

09:14:50 7 Q. And what -- what did you hear about that?

09:14:52 8 A. So Mr. Bueche explained that -- that in 2014, after  
09:14:59 9 they launched part of their auto capture, they had a  
09:15:04 10 failure, whatever happened, that during that time period  
09:15:08 11 when auto capture was down, USAA experienced a failure rate  
09:15:13 12 of 19 percent on a manual capture basis, and, again, the  
09:15:17 13 inverse of that means that they had a manual success rate  
09:15:20 14 of 81 percent.

09:15:22 15 Q. All right. So let's go back to Step 1.

09:15:25 16           Once you had -- once you had the -- the success  
09:15:31 17 rate for manual capture and the success rate for auto  
09:15:33 18 capture, what did you do with those numbers?

09:15:36 19 A. Okay. So, again, to orient ourselves again. I have  
09:15:41 20 16.4 million units that would have to be reintroduced into  
09:15:45 21 Wells Fargo's system somehow. Some of those units, the  
09:15:50 22 user may have tried to use the MRDC again, and maybe after  
09:15:54 23 the second or third or fourth time it went in. I didn't  
09:15:58 24 consider that.

09:15:58 25           I said, okay, those 16.4 million units are going

09:16:02 1 to come in either through the ATM channel or the teller  
09:16:05 2 channel. Wells Fargo produced data. We could see that --  
09:16:09 3 that approximately 46 percent of all those volumes came in  
09:16:13 4 through the ATM channel -- it's like, 44 percent through  
09:16:17 5 the ATM channel, 56 percent to the teller channel. So  
09:16:20 6 basically, I took those 16.4 million units, and spread them  
09:16:24 7 across the ATM teller channels based upon Wells Fargo's  
09:16:30 8 actual experience on those channels.

09:16:31 9 Q. So what you're saying is 7.2 million checks that would  
09:16:36 10 have been deposited by mobile deposit would be deposited by  
09:16:43 11 ATM in the manual capture environment?

09:16:45 12 A. Correct.

09:16:45 13 Q. And 9.2 million checks would be deposited in -- by  
09:16:50 14 teller if Wells Fargo were using manual capture over this  
09:16:54 15 three-year time period that we're talking about?

09:16:57 16 A. That's correct.

09:16:58 17 Q. 16.4 million checks, is that a lot?

09:17:04 18 A. Relatively speaking, no, not at all.

09:17:08 19 Q. Why do you say that?

09:17:09 20 A. So, again, I think you have to put this into context.

09:17:12 21 For the period 2017 through the data I looked at,  
09:17:16 22 beginning of 2019, Wells Fargo processed 273 million items  
09:17:22 23 through their ATM channel, and they processed 344 million  
09:17:27 24 items through their teller channel. So these other  
09:17:30 25 volumes, the 7.2 million and the 9.2 million, you're adding



09:17:35 1 maybe 2 percent volume to that existing infrastructure.

09:17:39 2 And so from that context, no, it's not significant.

09:17:42 3 Q. Mr. Weinstein suggested that Wells Fargo was going to  
09:17:45 4 have to build more branches to accommodate mobile deposit  
09:17:52 5 volume. Do you agree or disagree with that?

09:17:54 6 A. Totally disagree with that.

09:17:55 7 Q. Well, why do you disagree?

09:17:58 8 A. So, again, I think you got to put this into context --  
09:18:02 9 excuse me, I just moved that -- I think you've got to put  
09:18:05 10 this into context.

09:18:06 11 Of the 16.4 million items we were just talking  
09:18:10 12 about, I say 56 percent would have gone into the teller  
09:18:13 13 channel. So, again, 9.2 million checks would have gone  
09:18:21 14 into that teller channel. Over the roughly three years  
09:18:26 15 we're talking about here for the damage period means that  
09:18:26 16 3.1 million items would have gone to that check channel  
09:18:29 17 per -- teller channel per year.

09:18:31 18 What does that mean? There's 251 banking working  
09:18:36 19 days during the course of the year. That means you're  
09:18:38 20 going to have 12,667 checks per day going into the  
09:18:44 21 branches.

09:18:45 22 Wells Fargo has over 5,500 branches, and so  
09:18:49 23 basically the math says you're going to put 2.3 checks per  
09:18:53 24 day into a branch. And so I -- I find it hard to -- to  
09:18:58 25 imagine that Wells Fargo is going to build a new branch to

09:19:01 1 accommodate 2.3 additional checks a day.

09:19:04 2 Q. Is it reasonable to think that Wells Fargo would pay  
09:19:08 3 hundreds of millions of dollars to build new branches?

09:19:11 4 A. Absolutely not.

09:19:12 5 Q. All right. Now, you talked about the additional checks  
09:19:14 6 that would need to be deposited by teller, but what about  
09:19:18 7 the ATM?

09:19:19 8 A. So if we go through and perform the same analysis, the  
09:19:22 9 same steps that I went through, the only difference here  
09:19:24 10 being really the 44 percent that are coming in through ATM,  
09:19:32 11 Wells Fargo has over 13,000 ATMs. And so if you look at  
09:19:37 12 that additional volume, we're talking three quarters of a  
09:19:40 13 check per day that may have to be deposited into an ATM.

09:19:44 14 Q. Now, we heard testimony that it is more expensive for  
09:19:47 15 Wells Fargo to process checks through teller and ATM  
09:19:54 16 instead of mobile deposit.

09:19:56 17 So when we talk about these 16.4 million checks  
09:20:00 18 that need to go to another channel, what kind of cost is  
09:20:03 19 Wells Fargo looking at incurring?

09:20:05 20 A. Sure. And I have a demonstrative to explain that.

09:20:06 21 So Wells Fargo, again, produced and we analyzed  
09:20:11 22 the cost structures for ATM and teller processing.  
09:20:19 23 Variable costs are costs that are going to change with  
09:20:21 24 volume. Fixed costs are fixed costs. They're not going to  
09:20:27 25 change with volume.

09:20:28 1 So think about it. If you have a bank and you pay  
09:20:31 2 rent or a fixed cost for that branch, if you process two  
09:20:34 3 more checks during that -- to that branch during that day  
09:20:36 4 or during that year, you're not going to incur any more  
09:20:41 5 fixed cost. You're not going to incur any more rate from  
09:20:41 6 that.

09:20:41 7 There's variable costs that are generally  
09:20:45 8 associated with processing these items. And the variable  
09:20:46 9 costs for ATM transactions are listed here, and the  
09:20:51 10 variable costs for teller transactions are listed here.

09:20:59 11 And so I applied those actual variable costs that  
09:21:02 12 Wells Fargo incurred -- incurred in the ordinary course of  
09:21:05 13 business, those incremental volumes.

09:21:07 14 Q. What did you do -- how did you apply these numbers in  
09:21:11 15 your analysis?

09:21:12 16 A. So I think we have another demonstrative here.

09:21:14 17 So I looked at the total number of checks to be  
09:21:18 18 added to the teller channel over the relative periods in  
09:21:23 19 question. I applied the actual variable costs of  
09:21:27 20 processing those teller-related items and did the math and  
09:21:31 21 came up with the additional costs, at least for the teller  
09:21:34 22 channel of a little over \$7 million.

09:21:37 23 Q. And did you do the same calculation for ATM?

09:21:39 24 A. I did. So I looked at the ATM volume -- or the volume  
09:21:44 25 that would have gone through the ATM channel, applied the

09:21:48 1 actual variable costs for those items, I come up with \$4.7  
09:21:52 2 million of additional expenses that the bank would have to  
09:21:55 3 incur to process those items.

09:21:58 4 Q. Now, were you done with your calculation and your  
09:22:03 5 analysis once you got to the 7 million figure and the 4.7  
09:22:07 6 million figure?

09:22:08 7 A. No, I was not.

09:22:09 8 Q. What did you do next?

09:22:10 9 A. So the other thing I wanted to do is add something --  
09:22:13 10 I'll call it customer experience. When Wells Fargo moved  
09:22:20 11 from manual capture to auto capture, it spent time  
09:22:25 12 educating the consumer and doing other things to make it a  
09:22:29 13 more user friendly experience for the customer.

09:22:32 14 I added expenses here. Again, at the time of the  
09:22:36 15 hypothetical negotiation, had Wells Fargo not moved from  
09:22:39 16 its manual capture MRDC system, it potentially would have  
09:22:45 17 incurred more expenses just to, again, improve the customer  
09:22:49 18 experience over time. So they're contin -- continuously  
09:22:51 19 trying to improve the customer experience.

09:22:53 20 Based upon my discussions with Ms. Lockwood-Stein  
09:22:55 21 and Mr. Rosati, I put in an estimate based upon three to  
09:23:01 22 five additional types of projects that may have been  
09:23:03 23 incurred, again, just to improve that customer experience  
09:23:08 24 over time. So I added that to the calculus.

09:23:10 25 Q. And what is your total -- what did you determine that

09:23:14 1 Wells Fargo would be willing to pay as a part of this  
09:23:17 2 hypothetical negotiation?

09:23:18 3 A. So based upon the analysis that I've seen, Wells Fargo  
09:23:23 4 was going to evaluate whether to stay with manual capture,  
09:23:26 5 move to auto capture. The most incremental benefit that it  
09:23:31 6 would receive is approximately \$12.5 million. So  
09:23:37 7 \$12,496,736.00.

09:23:38 8 Q. And in your opinion, is this \$12.5 million the amount  
09:23:47 9 Wells Fargo would pay for just -- for -- to USAA for  
09:23:51 10 December 15th, 2016, through November 4th, 20 --

09:23:56 11 A. Yes, that's --

09:23:57 12 Q. -- 19?

09:24:00 13 A. -- yes, that's correct.

09:24:03 14 Q. So that's just for this roughly three-year period?

09:24:06 15 A. That's correct.

09:24:07 16 Q. And Mr. Weinstein is saying for that time period, that  
09:24:13 17 Wells Fargo should pay \$300 million?

09:24:13 18 A. \$299 million, so, yes, that's correct.

09:24:14 19 Q. For that same three-year period?

09:24:15 20 A. For that same three-year period.

09:24:20 21 Q. Mr. Gerardi, I want to turn now to the -- the second  
09:24:27 22 task that you were asked to -- to do in this case. You  
09:24:29 23 mentioned that there are areas where you and Mr. Weinstein  
09:24:33 24 disagree.

09:24:37 25 A. Correct.

09:24:37 1 Q. All right. So let's -- can you walk us through your  
09:24:40 2 first area of disagreement with him?

09:24:41 3 A. Sure. And I think we have a demonstrative just to help  
09:24:45 4 with that.

09:24:45 5 So, again, the -- the biggest area I have of  
09:24:53 6 disagreement with Mr. Weinstein is -- is evidence relates  
09:24:55 7 to a number of pieces of information that are coming from  
09:25:00 8 2010, 2011, and Wells Fargo's evaluation of what they were  
09:25:05 9 going to do to come into the MRDC market. All those  
09:25:11 10 evaluations, whether it's cost savings, whether it's  
09:25:15 11 projected increases in total deposits, whether it's other  
09:25:20 12 ecosystem benefits, are all predicated upon a manual  
09:25:23 13 capture system.

09:25:23 14 So -- so he's not evaluating the incremental  
09:25:26 15 benefits of auto capture. He's looking at the benefits of  
09:25:31 16 a -- of a manual deposit non-infringing system. He's not  
09:25:34 17 evaluating, again, the incremental benefit that may come  
09:25:38 18 from the use of auto capture based upon USAA's patents.

09:25:43 19 Q. But you did that analysis?

09:25:44 20 A. Yes, that's the analysis I just walked through.

09:25:48 21 Q. All right. And so up -- up here on the -- up here on  
09:25:51 22 the monitor, we see some of the presentations that  
09:25:55 23 Mr. Weinstein relied on. And is there anything in these  
09:26:00 24 presentations that you saw that addressed auto capture?

09:26:02 25 A. Absolutely none.

09:26:03 1 Q. Is there anything in these presentations that  
09:26:07 2 identifies the differences and the benefits from auto  
09:26:11 3 capture?

09:26:11 4 A. Absolutely none.

09:26:12 5 Q. Were there other aspects of Mr. Weinstein's analysis  
09:26:15 6 that you disagree with?

09:26:16 7 A. Yes.

09:26:18 8 Q. All right. What is the next one?

09:26:19 9 A. So, again, this goes to the -- to the issue of building  
09:26:23 10 branches and -- and as they relate to mobile deposit.

09:26:29 11 Mr. Weinstein's analyses, as I understand it, is  
09:26:33 12 saying that without MRDC, these items would have to go back  
09:26:38 13 into the branch somehow. He's, again, ignoring the fact  
09:26:41 14 that manual capture MRDC is there. And, again, he's  
09:26:46 15 ignoring the capacity analyses that I just walked through  
09:26:49 16 with you that a bank could still process these -- these  
09:26:52 17 items through its existing channel. Again, 5,500 branches  
09:26:57 18 and 13,000 ATMs have the capacity to handle these  
09:27:03 19 additional items.

09:27:03 20 Q. But isn't Mr. Weinstein going a step further? He's  
09:27:06 21 saying that Wells Fargo wouldn't even offer mobile deposit  
09:27:09 22 if auto capture wasn't available?

09:27:10 23 A. Well, again, that goes back to what I said before.  
09:27:14 24 He's ignoring the fact that MRDC is there. He's saying if  
09:27:17 25 it wasn't there, everything would have to go back into

09:27:20 1 manual or teller, even though we know Wells Fargo had an  
09:27:24 2 existing, working, viable, manual deposit -- I'm sorry,  
09:27:29 3 manual capture mobile deposit system.

09:27:31 4 Q. Now, I -- I heard you say -- I just want to make sure  
09:27:33 5 that I'm clear. He's saying that everything would have to  
09:27:35 6 go back into ATM or teller, right?

09:27:37 7 A. Correct.

09:27:39 8 Q. And completely ignoring mobile deposit with manual  
09:27:44 9 capture?

09:27:44 10 A. His analysis, as I understand it, assumes that that  
09:27:48 11 channel just does not exist.

09:27:51 12 THE COURT: Counsel, approach the bench, please.  
09:27:52 13 (Bench conference.)

09:27:59 14 THE COURT: Ms. Williams, if you're going to  
09:28:02 15 testify, I'll put you on the witness stand.

09:28:05 16 MS. WILLIAMS: Yes, Your Honor.

09:28:05 17 THE COURT: You can't lead the witness like that.

09:28:07 18 MS. WILLIAMS: Yes, Your Honor.

09:28:07 19 THE COURT: Let's proceed.

09:28:08 20 (Bench conference concluded.)

09:28:15 21 THE COURT: Let's proceed.

09:28:16 22 MS. WILLIAMS: Yes, Your Honor.

09:28:17 23 Q. (By Ms. Williams) Mr. Gerardi, do you have other  
09:28:22 24 disagreements with Mr. Weinstein's analysis?

09:28:24 25 A. Yes, I do.



09:28:25 1 Q. What is the next disagreement you have?

09:28:27 2 A. So I've summarized some of these here.

09:28:31 3 One of the biggest items of Mr. Weinstein's  
09:28:36 4 analysis, part of that billion dollars he was coming up  
09:28:41 5 with, is the cost savings that would have come from channel  
09:28:44 6 optimization costs. And, again, he's saying that if Wells  
09:28:48 7 Fargo did not have MRDC or auto capture MRDC, all those  
09:28:54 8 items would have to go back into the channel, teller or  
09:28:57 9 ATM, and be processed at a higher cost. Remember, we  
09:29:02 10 walked through those ATM or teller costs?

09:29:05 11 A, he's saying all those items would have gone  
09:29:08 12 back into the ATM or teller channel.

09:29:10 13 B, he's using the fixed costs. So he's not saying  
09:29:15 14 that they're variable costs. He's saying that they're  
09:29:17 15 fixed costs. So you would have to incur both fixed and  
09:29:21 16 variable costs to process those. In my analogy, he would  
09:29:25 17 shut down the entire mobile deposit platform that Wells  
09:29:28 18 Fargo had existing already. So in his model, that doesn't  
09:29:29 19 exist.

09:29:30 20 And the second point -- we talked about this  
09:29:32 21 briefly -- is, again, he's ignoring that Wells Fargo had  
09:29:36 22 5,500 branches and 13,000 ATMs and does not take into  
09:29:43 23 consideration that those banks -- or those ATMs had the  
09:29:46 24 capacity to process volume. He's saying that they -- they  
09:29:51 25 would have had to use 184 additional branches. I don't see

09:29:54 1 that in the data.

09:29:55 2 Q. At the time of the hypothetical negotiation, would  
09:29:59 3 Wells Fargo and USAA have that information?

09:30:02 4 A. Yes, they would.

09:30:03 5 Q. And is it reasonable to think that -- that Wells Fargo  
09:30:08 6 would rethink using manual capture?

09:30:11 7 A. Well, of course. In the face of that situation, of  
09:30:16 8 course they would.

09:30:16 9 Q. Now, you've mentioned the first two on -- on your  
09:30:22 10 demonstrative here on Slide 32.

09:30:23 11 What are the other two disagreements that you have  
09:30:26 12 with Mr. Weinstein?

09:30:27 13 A. So, again, one of the other elements Mr. Weinstein  
09:30:30 14 presents is that he believes that mobile remote deposit  
09:30:37 15 capture is going to -- is going to provide for a 20 percent  
09:30:41 16 increase in new customers to the bank. So two things with  
09:30:44 17 that. That was an aspiration that was identified in a  
09:30:48 18 2009/2010 document.

09:30:50 19 A, he didn't do anything to evaluate whether, in  
09:30:55 20 fact, MRDC -- manual or auto -- did, in fact, account for a  
09:31:01 21 20 percent increase in new customers to the bank.

09:31:04 22 But even the bigger issue is that 20 percent  
09:31:08 23 expectation of new customer growth is based upon a manual  
09:31:12 24 capture system. And he didn't do anything to determine  
09:31:14 25 whether it was an increase over that 20 percent to account

09:31:17 1 for the benefits of the patent-in-suit relative to what  
09:31:21 2 Wells Fargo was expecting based upon a manual-only MRDC  
09:31:25 3 system.

09:31:26 4 Q. Now, your last point on here, Mr. Gerardi, addresses  
09:31:30 5 Zelle. What is your disagreement with Mr. Weinstein on his  
09:31:34 6 use of Zelle?

09:31:36 7 A. I've seen nothing in the data produced by Wells Fargo  
09:31:42 8 that would allow me to evaluate at all whether there was  
09:31:48 9 any ecosystem benefit attributable to MRDC, manual or auto.

09:31:52 10 Q. And Mr. Weinstein acknowledged that he had difficulty  
09:31:56 11 in evaluating that echo -- ecosystem benefit as well,  
09:31:59 12 didn't he?

09:31:59 13 A. He did.

09:32:00 14 Q. And do you -- what is Zelle?

09:32:04 15 A. So Velle -- Zelle is -- is a peer-to-peer payment  
09:32:09 16 system. I could go on my iPhone or device and send  
09:32:14 17 somebody \$10.00 without having to do anything else. So  
09:32:17 18 it's a method of -- of -- of moving money from one account  
09:32:21 19 to another without having to go to a bank.

09:32:23 20 Q. And is -- in your opinion, is Zelle a proper proxy for  
09:32:31 21 mobile deposit with auto capture in this case?

09:32:33 22 A. No, I don't think anything demonstrates that Zelle  
09:32:37 23 has -- has comparability to the claims of the  
09:32:40 24 patent-in-suit that we're talking about here.

09:32:44 25 Q. Now, let's go on to your third set of opinions in this

09:32:49 1 case.

09:32:50 2 Can you -- you mentioned that you had -- that you  
09:32:55 3 believed -- or it is your opinion that Mr. Calman's 40  
09:32:59 4 percent allocation to auto capture is wrong. Why is that  
09:33:05 5 your opinion?

09:33:05 6 A. So there's a couple of examples here that come through.  
09:33:09 7 Let's first talk about this error-free customer experience  
09:33:12 8 model.

09:33:12 9 As I understand it Mr. Calman is trying to measure  
09:33:20 10 something that occurs over a process. So there are steps  
09:33:23 11 that occur. And what is the error-free or the errors that  
09:33:27 12 occur in a step in a process. Here we're talking about a  
09:33:30 13 one-step process, auto capture or manual capture.

09:33:32 14 And for that analysis, he's using the manual  
09:33:37 15 capture success rates on PX-31 that represent only the  
09:33:43 16 checks that already failed auto capture. So if you think  
09:33:46 17 about it for a second, there's three primary ways an image  
09:33:50 18 is not going to be accepted on your phone. It's either an  
09:33:55 19 environmental error, the light is too light, too dark or  
09:33:58 20 something. The second could be a user error. You're too  
09:34:02 21 far away, too close, you're just not doing something from a  
09:34:05 22 user perspective. Or a third is it could be a problem with  
09:34:09 23 the item itself.

09:34:10 24 And so the auto capture rates that Mr. Calman is  
09:34:12 25 using, they're reflecting those three experiences.

09:34:18 1 The manual capture rates that he's measuring are  
09:34:23 2 what happens after auto capture has already failed. So if  
09:34:25 3 auto capture has already failed for whatever those reasons,  
09:34:29 4 he's measuring a manual capture rate that is already  
09:34:34 5 defective because it's not -- it's already failing the auto  
09:34:36 6 capture system. So if auto capture fails for some reason,  
09:34:38 7 there's a pretty good likelihood manual capture is going to  
09:34:42 8 fail as well.

09:34:42 9 So I don't think that's an appropriate test or  
09:34:45 10 appropriate analysis.

09:34:46 11 The second part of that is, though, Mr. Calman's  
09:34:50 12 analyses says that as a result of that test or that  
09:34:53 13 analysis, 80 percent of the benefits of -- of -- of auto  
09:34:58 14 capture are coming -- of MRDC are coming from auto capture.  
09:35:03 15 But, you know, there's other things that are happening  
09:35:05 16 there so I'm going to cut it down to 40 percent.

09:35:07 17 If the test comes up with the result but you have  
09:35:10 18 to then cut it down because other things are happening,  
09:35:14 19 maybe the test or maybe the analysis wasn't proper to begin  
09:35:17 20 with.

09:35:22 21 Q. Was there another analysis that Mr. Calman used to  
09:35:27 22 determine the 40 percent?

09:35:29 23 A. Sure. So, again, he's using this Net Promoter Score  
09:35:35 24 model. And, again, nothing in that Net Promoter Score  
09:35:38 25 model is tied to the specific facts and circumstances in

09:35:41 1 this case. It's more of an academic exercise. And he  
09:35:45 2 incorrectly assumes that the success of Wells Fargo's  
09:35:48 3 mobile banking is the result of auto capture.

09:35:50 4 But as we've seen in some of these other documents  
09:35:55 5 and things that I've seen, there's a whole multitude of  
09:35:58 6 other reasons why Wells Fargo's mobile banking platform was  
09:36:02 7 successful, and he's not giving any attribution to those  
09:36:06 8 either. He's not giving any attribution to any of those  
09:36:09 9 other mobile banking attributes, other than auto capture.

09:36:13 10 Q. During -- during openings, you were here for opening?

09:36:24 11 A. Yes, I was.

09:36:25 12 Q. Did you hear Mr. Melsheimer's opening?

09:36:28 13 A. Yes, I did.

09:36:29 14 Q. And what did you hear him say about -- about checks?

09:36:36 15 A. Generally that checks over time are becoming less  
09:36:39 16 important as a use of moving money -- of payments.

09:36:42 17 Q. Did you hear Mr. Melsheimer at any time say that checks  
09:36:46 18 were irrelevant?

09:36:47 19 A. No, ma'am.

09:36:53 20 Q. What did Mr. Calman say about checks?

09:36:57 21 A. Well, I think there was some back and forth, and I  
09:37:00 22 think ultimately, he admitted that in the prior testimony  
09:37:05 23 back from 2007, and, again, I'm just stating, that checks  
09:37:10 24 are declining. They're a dying product.

09:37:14 25 Q. And what does that tell us about what USAA and Wells

09:37:17 1 Fargo would have understood at the time of the hypothetical  
09:37:21 2 negotiation?

09:37:21 3 A. So, again, let's position ourselves.

09:37:25 4 We're in 2015. We know -- we have data that  
09:37:30 5 demonstrates that checks as -- as -- checks' use in the  
09:37:34 6 economy have been declining precipitously. And so as part  
09:37:39 7 of that negotiation, you have to take into consideration  
09:37:44 8 where is the future of checks going to be, am I willing to  
09:37:47 9 pay \$300 million for something that's becoming less and  
09:37:51 10 less important in our economy.

09:37:52 11 Q. Mr. Gerardi, did you -- let me show you our next slide,  
09:37:56 12 please.

09:37:57 13 So this is DTX-174. What is this?

09:38:00 14 A. This is a study that's prepared by the Federal Reserve  
09:38:06 15 Bank. And, again, it shows non-cash payments over time.  
09:38:10 16 And so for -- for this period we're looking at 2000 through  
09:38:14 17 2017. And as you can see over time, checks are really just  
09:38:19 18 going down, and by 20 -- 2007, give or take, you know,  
09:38:25 19 checks were overtaken by debit cards. We've all seen --  
09:38:32 20 use debit cards more and more, credit cards more and more,  
09:38:39 21 ACH and -- Automated Clearing House transactions,  
09:38:40 22 businesses and other -- and other more enterprises are  
09:38:41 23 getting rid of checks early in the process, and you have a  
09:38:44 24 rise of prepaid debit cards. Gift cards are one of the  
09:38:49 25 things that have a set amount of money on them that you can

09:38:51 1 just go to the store and use.

09:38:52 2           So you can see over time, checks really are  
09:38:54 3 declining as a medium but -- for payments in the economy.  
09:38:58 4 And, again, that check has gone down since -- throughout  
09:39:01 5 the entire period here. So at the time of the  
09:39:03 6 hypothetical, you're going to know that that's happened.

09:39:05 7 Q. So DTX-174, what is that?

09:39:10 8 A. DTX-174, again, it was a report produced by the Federal  
09:39:18 9 Reserve Bank that demonstrates that the checks in our  
09:39:19 10 economy are declining significantly over time. And would  
09:39:23 11 help inform, you know, the negotiators as to where checks  
09:39:27 12 are going to be over time.

09:39:28 13 Q. And is this something that both USAA and Wells Fargo  
09:39:31 14 would have known at the time of the hypothetical  
09:39:32 15 negotiation?

09:39:32 16 A. Oh, sure. This is a public document. It's produced by  
09:39:36 17 the Federal Reserve on a regular basis.

09:39:39 18 Q. All right. So -- so let's go back to the hypothetical  
09:39:43 19 negotiation between the parties.

09:39:44 20           And you've talked about the Federal Reserve  
09:39:49 21 information. You've talked about the decline of checks.  
09:39:51 22 You've talked about the information. But over -- overall,  
09:39:55 23 what does this information have -- what is its impact on  
09:40:00 24 the hypothetical negotiation for USAA and Wells Fargo?

09:40:01 25 A. It's going to put it into perspective, and it's going



09:40:06 1 to limit the amount that the banks -- that Wells Fargo is  
09:40:08 2 going to consider to pay because of where this market is  
09:40:10 3 and where it's going.

09:40:12 4 Q. And so when you heard Mr. Weinstein testify earlier  
09:40:15 5 that it was going to put a finite cap, do you agree or  
09:40:19 6 disagree with that?

09:40:19 7 A. Yes. Again, I agree that the benefits attributable to  
09:40:24 8 adding auto capture or the cost of staying with manual  
09:40:28 9 capture, that's the analysis that I performed and walked  
09:40:30 10 you through, again, it puts a cap on the damages. And,  
09:40:35 11 again, Mr. Weinstein and I agree that if manual capture is  
09:40:37 12 a viable non-infringing alternative, that's the cap that's  
09:40:40 13 going to be -- that's going to form the basis of that  
09:40:44 14 royalty for that period of time that we're talking about.

09:40:46 15 Q. And if Wells Fargo and USAA perform the hypothetical  
09:40:50 16 negotiation, what is the -- what would Wells Fargo have  
09:40:55 17 agreed to pay in your opinion?

09:40:57 18 A. For the period in time that I've talked about, December  
09:40:59 19 15th, 2016 through November 4th, 2019, \$12.5 million.

09:41:05 20 Q. Have you also calculated damages for the period  
09:41:10 21 February 3rd, 2018 through trial?

09:41:12 22 A. Yes, I have.

09:41:12 23 Q. And what is that number?

09:41:13 24 A. Approximately \$10.5 million.

09:41:15 25 Q. And have you calculated damages for the period June

09:41:19 1 7th, 2018 through trial?

09:41:21 2 A. Yes, I have.

09:41:22 3 Q. And what is that number?

09:41:23 4 A. \$9 million.

09:41:25 5 Q. If the jury finds that Wells Fargo does not infringe  
09:41:28 6 USAA's patent, what are the damages?

09:41:33 7 A. Zero.

09:41:36 8 MS. WILLIAMS: Your Honor, may I have a moment?

09:41:38 9 THE COURT: You may.

09:41:49 10 MS. WILLIAMS: Your Honor, may I approach, please?

09:41:52 11 THE COURT: You may approach the bench, counsel.

09:41:58 12 (Bench conference.)

09:41:59 13 MS. WILLIAMS: Your Honor, I would like to ask  
09:42:01 14 Mr. Gerardi if -- if USAA has licensed its patents to  
09:42:05 15 anyone else. He'll say no. And I just want to ask that  
09:42:09 16 one question.

09:42:10 17 MR. SHEASBY: Your Honor, you've already excluded  
09:42:12 18 that question. They were attempting to ask Mr. Weinstein  
09:42:15 19 that, and you said that was improper because there were no  
09:42:18 20 comparable license agreements in the case.

09:42:20 21 MS. WILLIAMS: But the fact of whether USAA has a  
09:42:22 22 licensing -- has been able to license these patents is a  
09:42:26 23 factor that would have gone into that negotiation at the  
09:42:29 24 hypothetical -- as part of the hypothetical negotiation,  
09:42:32 25 Your Honor, under the Georgia-Pacific factors.

09:42:33 1 MR. SHEASBY: That's section of Mr. Gerardi's  
09:42:35 2 report has been fully excluded by the Court -- during the  
09:42:42 3 motion process.

09:42:43 4 MS. WILLIAMS: So we're not going to go into  
09:42:45 5 the -- go into the licensing efforts in toto. I'm just  
09:42:50 6 going to ask him one question, has USAA licensed these  
09:42:53 7 patents.

09:42:53 8 MR. SHEASBY: And that's no longer in his report,  
09:42:56 9 Your Honor. That's been fully stricken.

09:42:57 10 THE COURT: Well, we can't ask that one question  
09:43:00 11 and walk away without developing the full context, and I  
09:43:03 12 believe that would be improper in light of the striking  
09:43:08 13 orders that the Court's done in pre-trial with regard to  
09:43:11 14 his report. So that request is overruled.

09:43:14 15 MR. SHEASBY: Thank you, Your Honor.

09:43:15 16 MS. WILLIAMS: Thank you, Your Honor.

09:43:16 17 (Bench conference concluded.)

09:43:25 18 MS. WILLIAMS: Your Honor, I pass the witness.

09:43:27 19 THE COURT: All right. Cross-examination.

09:43:28 20 MR. SHEASBY: Yes, Your Honor. May I approach  
09:43:29 21 with binders?

09:43:30 22 THE COURT: You may.

09:43:31 23 MR. SHEASBY: Thank you.

09:43:31 24 CROSS-EXAMINATION

09:43:56 25 BY MR. SHEASBY:

09:43:56 1 Q. Good morning, Mr. Gerardi.

09:43:57 2 A. Good morning.

09:43:58 3 Q. I -- I've laid a binder next to your desk. I may ask  
09:44:07 4 you about that.

09:44:07 5 We've met before?

09:44:09 6 A. Yes, we have.

09:44:10 7 Q. We met at your deposition?

09:44:12 8 A. Yes.

09:44:13 9 Q. Now, you agree that for the damages period at issue in  
09:44:20 10 this case, there were approximately 231 million checks that  
09:44:33 11 were successfully deposited using the auto capture system  
09:44:35 12 that's accused of infringement in this case?

09:44:36 13 A. That were deposited through the MRDC system, yes,  
09:44:40 14 that's correct.

09:44:40 15 Q. No, sir, they were deposited using -- actually using  
09:44:44 16 auto capture, correct?

09:44:45 17 A. That's correct.

09:44:45 18 Q. So for the ladies and gentlemen of the jury, 231  
09:44:50 19 million checks successfully deposited using auto capture  
09:44:54 20 MRDC, fair?

09:44:56 21 A. I would agree with that.

09:44:57 22 Q. Now, sir, you're not a software engineer, fair?

09:45:05 23 A. That's correct.

09:45:07 24 Q. You don't build or evaluate mobile check applications,  
09:45:11 25 correct?

09:45:11 1 A. That's correct.

09:45:12 2 Q. You're not an expert in check imaging or even document  
09:45:16 3 imaging, correct?

09:45:17 4 A. That's fair.

09:45:18 5 Q. And though you've referenced previous bank experience,  
09:45:21 6 you have no experience whatsoever in commercial mobile  
09:45:25 7 remote deposit capture industry before you were paid to be  
09:45:29 8 an expert by Wells Fargo, correct?

09:45:31 9 A. That's fair.

09:45:34 10 Q. No experience in the subject matter of this case,  
09:45:41 11 commercial MRDC industry, before being hired by Wells  
09:45:45 12 Fargo, fair?

09:45:46 13 A. Commercial MRDC, that's fair.

09:45:51 14 Q. Now, because you don't have a technical background, you  
09:46:01 15 actually spoke to a technologist in this case, correct?

09:46:04 16 A. If you're referring to Dr. Villasenor, yes.

09:46:08 17 Q. I am. Dr. Villasenor, the technical individual,  
09:46:12 18 correct?

09:46:12 19 A. Yes.

09:46:12 20 Q. You relied on him for technical opinions, correct?

09:46:15 21 A. Yes.

09:46:16 22 Q. One of the predicates that you asked the ladies and  
09:46:21 23 gentlemen of the jury to rely on is that manual capture  
09:46:25 24 would be a commercially viable non-infringing alternative,  
09:46:29 25 fair?

09:46:29 1 A. That is one of the predicates that I cited, yes.

09:46:33 2 Q. In fact, you mentioned it many times in your direct  
09:46:36 3 examination, fair?

09:46:38 4 A. I did.

09:46:38 5 Q. And it was Mr. -- Dr. Villasenor who told you that  
09:46:44 6 manual capture is a commercially viable non-infringing  
09:46:46 7 alternative, fair? He told you that?

09:46:48 8 A. He was one of the people that told me that, yes.

09:46:51 9 Q. If I could get -- Dr. Villasenor told you that manual  
09:46:58 10 capture is a commercially viable non-infringing  
09:47:01 11 alternative, correct?

09:47:02 12 A. I believe he told me it was a technically  
09:47:06 13 non-infringing alternative. I don't know if I said he  
09:47:08 14 gave -- he said it was commercially viable.

09:47:10 15 Q. So why don't we turn to your deposition, Page 16, Lines  
09:47:15 16 8 through 12?

09:47:21 17 Question: So I -- so I actually just --

09:47:25 18 MS. WILLIAMS: Objection, Your Honor.

09:47:27 19 Q. (By Mr. Sheasby) So --

09:47:28 20 THE COURT: What's your objection, counsel?

09:47:29 21 MS. WILLIAMS: If he -- he should not be  
09:47:31 22 displaying this to the jury, Your Honor.

09:47:33 23 MR. SHEASBY: Your Honor, I'm impeaching him right  
09:47:35 24 now.

09:47:35 25 MS. WILLIAMS: It's improper impeachment, Your

09:47:40 1 Honor.

09:47:40 2 MR. SHEASBY: I'm going to show a contradictory  
09:47:44 3 statement from his deposition.

09:47:44 4 THE COURT: I -- I understand. You need to -- you  
09:47:46 5 need to give the witness an opportunity to refresh his  
09:47:48 6 recollection and confirm that was his testimony, and then  
09:47:50 7 if he -- if he confirms that's his testimony after it being  
09:47:55 8 refreshed, then you're entitled to show the prior  
09:47:58 9 inconsistent statement.

09:47:59 10 MR. SHEASBY: So we'll go to Column 6 -- Page 16,  
09:48:03 11 Lines 8 through 12.

09:48:03 12 A. I'm sorry, where in my binder am I referring to?

09:48:08 13 Q. (By Mr. Sheasby) That's your deposition, sir. It's  
09:48:09 14 your first tab, I believe.

09:48:12 15 A. I'm sorry, which page, please?

09:48:14 16 Q. Page 16, Lines 8 through 12.

09:48:30 17 A. Yes, that's what I stated.

09:48:32 18 MR. SHEASBY: So why don't we publish that now.

09:48:34 19 MS. WILLIAMS: Objection, Your Honor. He just --  
09:48:36 20 he just agreed to it.

09:48:41 21 MR. SHEASBY: Your Honor, he just agreed to  
09:48:42 22 something that was different from what he had previously --

09:48:45 23 THE COURT: I'll allow -- I'll allow counsel to  
09:48:47 24 publish the deposition testimony.

09:48:50 25 Q. (By Mr. Sheasby) Question: So I actually just need

09:48:53 1 precision. So, one, Dr. Villasenor told you that it's his  
09:48:58 2 opinion that manual capture is a commercially acceptable  
09:49:04 3 non-infringing alternative, fair?

09:49:06 4 Answer: Yes.

09:49:08 5 Did you give that testimony under oath,  
09:49:09 6 Mr. Gerardi?

09:49:10 7 A. Oh, yes, I did.

09:49:12 8 Q. And you told the ladies and gentlemen of the jury, even  
09:49:16 9 though you're not a technologist, that manual capture is a  
09:49:19 10 commercially viable non-infringing alternative, fair?

09:49:22 11 A. I did.

09:49:24 12 Q. Now, in reality, Dr. Villasenor was not asked to  
09:49:29 13 investigate whether it would be commercially acceptable for  
09:49:35 14 consumers not to have auto capture, correct?

09:49:37 15 A. I don't know the extent of his opinion on that.

09:49:41 16 Q. Well, why don't I refresh your recollection. If you  
09:49:44 17 turn to --

09:49:46 18 MR. SHEASBY: Why don't we put up the Villasenor  
09:49:50 19 deposition at 101, 8 through 14?

09:49:50 20 MS. WILLIAMS: Objection, Your Honor, improper  
09:49:52 21 impeachment.

09:49:52 22 THE COURT: We're going to follow the same  
09:49:54 23 protocol that I've outlined.

09:49:57 24 MS. WILLIAMS: Your Honor, this isn't the  
09:49:59 25 witness's own statement.



09:50:00 1 MR. SHEASBY: It's not impeachment, Your Honor.

09:50:01 2 It's refreshing a recollection.

09:50:02 3 THE COURT: Then what's your objection,

09:50:06 4 Ms. Williams?

09:50:07 5 MS. WILLIAMS: Your Honor, you do not show

09:50:09 6 information that is used to refresh the witness's

09:50:12 7 recollection to the jury.

09:50:14 8 THE COURT: Counsel, approach the bench.

09:50:26 9 (Bench conference.)

09:50:27 10 THE COURT: First of all, tell me what you're

09:50:28 11 trying to do.

09:50:29 12 MR. SHEASBY: Dr. Villasenor admitted that he gave

09:50:32 13 no opinion whatsoever on whether there's a commercially

09:50:34 14 viable non-infringing alternative.

09:50:36 15 THE COURT: And how are you attempting to

09:50:39 16 establish that information?

09:50:40 17 MR. SHEASBY: I'm going to show it from his sworn

09:50:43 18 deposition testimony.

09:50:46 19 THE COURT: And you're asking this witness to

09:50:48 20 either agree or disagree as to what Dr. Villasenor did or

09:50:51 21 didn't admit to?

09:50:52 22 MR. SHEASBY: No, I'm just asking -- I'm

09:50:55 23 refreshing his recollection that Dr. Villasenor testified

09:50:57 24 that he hadn't done this analysis, which is inconsistent

09:51:00 25 with his representation that Dr. Villasenor told him he had

09:51:03 1 done this analysis.

09:51:04 2 I can do it through a trial transcript, but it  
09:51:08 3 seems to me we can -- I mean, this is the exact same  
09:51:10 4 testimony I elicited at trial.

09:51:14 5 THE COURT: Well, if you're going to ask this  
09:51:16 6 witness if he heard Dr. Villasenor testify and then you're  
09:51:19 7 going to show him Dr. Villasenor's prior testimony, that's  
09:51:23 8 fine. But showing him an affidavit or some prior  
09:51:28 9 declaration, I have a problem with that.

09:51:29 10 MR. SHEASBY: It's just deposition testimony, Your  
09:51:31 11 Honor.

09:51:31 12 THE COURT: Well, deposition testimony is an  
09:51:35 13 out-of-court statement.

09:51:37 14 Ms. Williams, what's your position on all this?

09:51:39 15 MS. WILLIAMS: Our position is that it's improper  
09:51:42 16 for him to use the deposition to impeach this witness. If  
09:51:46 17 he wants to refer to the --

09:51:49 18 THE COURT: Yeah, he can't impeach this witness  
09:51:51 19 with a statement that's not attributable to him.

09:51:55 20 MS. WILLIAMS: Yes.

09:51:55 21 THE COURT: It's not impeachment. You're just  
09:51:57 22 trying to establish that apparently he's wrong in your  
09:52:02 23 opinion, Mr. Sheasby, about what Dr. Villasenor did or  
09:52:05 24 didn't tell him.

09:52:06 25 MR. SHEASBY: That's correct, Your Honor.

09:52:07 1 MS. WILLIAMS: But if there's -- excuse me.

09:52:09 2 THE COURT: Go ahead.

09:52:13 3 MS. WILLIAMS: I'm sorry. But if there's trial  
09:52:14 4 testimony from Dr. Villasenor, then he can reference that  
09:52:17 5 here. But going into the deposition of Dr. Villasenor is  
09:52:20 6 not the proper way to establish that --

09:52:22 7 THE COURT: And -- and I agree with that, Mr.  
09:52:23 8 Sheasby.

09:52:23 9 MR. SHEASBY: Your Honor, it's the exact same  
09:52:25 10 testimony.

09:52:25 11 THE COURT: I don't care.

09:52:25 12 MR. SHEASBY: So may I have a moment to --

09:52:27 13 THE COURT: There's a difference between  
09:52:27 14 deposition testimony and live trial testimony.

09:52:29 15 MR. SHEASBY: May I have a moment to get the trial  
09:52:31 16 testimony?

09:52:31 17 THE COURT: Yes, sir, you may have a moment.

09:52:36 18 MS. WILLIAMS: Thank you, Your Honor.

09:52:36 19 (Bench conference concluded.)

09:53:01 20 THE COURT: Let me know when you've found what  
09:53:03 21 you're looking for, Mr. Sheasby.

09:53:04 22 MR. SHEASBY: Thank you, Your Honor.

09:53:42 23 Mr. Huynh, can we have yesterday's PM transcript  
09:53:47 24 at Page 108?

09:54:02 25 Q. (By Mr. Sheasby) Now, Mr. Gerardi, you have previously

09:54:05 1 testified under oath that Dr. Villasenor had told you that  
09:54:12 2 manual capture was a commercially viable non-infringing  
09:54:15 3 alternative, correct?

09:54:15 4 A. Yes.

09:54:16 5 Q. At trial, Dr. Villasenor was asked the question,  
09:54:24 6 question: Now, you're not asked to investigate whether it  
09:54:27 7 would be commercially acceptable for consumers not to have  
09:54:31 8 auto capture, correct?

09:54:34 9 A. I'm sorry, which line are you on?

09:54:36 10 Q. I'm on Line 23.

09:54:37 11 A. Got you. That's what he stated.

09:54:44 12 Q. And his answer was: That's correct.

09:54:45 13 A. Yes.

09:54:46 14 Q. And then he was asked: You have no opinion as to  
09:54:49 15 whether it would be commercially viable for Wells Fargo not  
09:54:53 16 to offer auto capture, correct?

09:54:58 17 A. That's what he's testified to, yes.

09:55:01 18 Q. And his answer is: That's correct?

09:55:06 19 A. As I stated, yes, that's what he stated.

09:55:09 20 Q. So -- so you told the ladies and gentlemen of the jury  
09:55:12 21 that manual capture was a commercially viable  
09:55:16 22 non-infringing alternative, correct?

09:55:17 23 A. I did.

09:55:18 24 Q. You're not a technologist, correct?

09:55:19 25 A. I'm not a technologist.

09:55:20 1 Q. You told the ladies and gentlemen of the jury that you  
09:55:21 2 relied on a technologist whose name was Dr. Villasenor to  
09:55:25 3 help you, correct?

09:55:26 4 A. To help me, yes.

09:55:27 5 Q. You told under oath in your deposition that  
09:55:32 6 Dr. Villasenor told that you manual capture was a  
09:55:34 7 commercially viable non-infringing alternative, correct?

09:55:37 8 A. I did.

09:55:38 9 Q. Dr. Villasenor said the exact opposite at his -- at his  
09:55:44 10 trial -- his trial testimony. He has no opinion whatsoever  
09:55:47 11 on whether it would be commercially viable, correct?

09:55:50 12 A. On the commercially viable aspect, that's correct.

09:55:54 13 Q. And, Mr. Gerardi, you're an experienced expert,  
09:56:00 14 correct?

09:56:00 15 A. I've testified in court.

09:56:01 16 Q. It's fair for the ladies and gentlemen of the jury to  
09:56:04 17 compare the statements and representations you made to me  
09:56:08 18 under oath in your deposition with Dr. Villasenor's  
09:56:13 19 testimony under oath at trial, correct? It's fair for them  
09:56:16 20 to balance those two?

09:56:17 21 A. Oh, absolutely. Absolutely.

09:56:18 22 Q. Now, sir, you gave some opinions about the importance  
09:56:43 23 of auto capture in this case, correct?

09:56:49 24 A. In part, yes.

09:57:06 25 Q. And you heard testimony from Mr. Saffici earlier in

09:57:32 1 this case that the patents are what is referred to in the  
09:57:36 2 industry as auto capture, correct?

09:57:38 3 A. Are you referring to his video deposition?

09:57:41 4 Q. Yes, sir.

09:57:43 5 A. Yes, I heard that.

09:57:44 6 Q. He said that the patents-in-suit introduce autonomous  
09:57:48 7 monitoring and corrective feedback, correct?

09:57:51 8 A. I don't remember the specific words that he stated.

09:57:54 9 Q. But he did say that they claim what's referred to in  
09:57:58 10 the industry as auto capture, correct?

09:57:59 11 A. I believe that's what he stated.

09:58:02 12 Q. Now, you also heard testimony from Mr. Rosati, correct?

09:58:05 13 A. Yes.

09:58:06 14 Q. And Mr. Rosati testified that Wells Fargo implemented  
09:58:10 15 what is known in the industry as auto capture, correct?

09:58:13 16 A. Correct.

09:58:14 17 Q. And Wells Fargo's corporate representative, Mr. Ajami,  
09:58:27 18 you've read his deposition testimony, correct?

09:58:29 19 A. A while ago, yes.

09:58:31 20 Q. And Mr. Ajami, who was the executive responsible for  
09:58:36 21 the implementation of auto capture, he testified that he  
09:58:40 22 had no factual basis to disagree that auto capture must now  
09:58:44 23 be treated as a must-have feature across all strata of the  
09:58:50 24 financial services industry, correct?

09:58:53 25 A. I don't remember the specific words, but I believe

09:58:58 1 something akin to that is correct.

09:58:59 2 Q. He was shown the same Futurion Report that you showed  
09:59:03 3 to the ladies and gentlemen of the jury, correct?

09:59:06 4 A. Again, I don't recall what was shown to him at his  
09:59:09 5 deposition, sir.

09:59:10 6 Q. You recollect that he testified that auto capture must  
09:59:14 7 now be treated as a must-have feature across all strata of  
09:59:19 8 the financial services industry, correct?

09:59:22 9 A. Again, I read his deposition, sir, a long time ago. I  
09:59:25 10 don't recall the specific words that he used.

09:59:27 11 Q. Would it be fair to say that in your testimony to the  
09:59:31 12 ladies and gentlemen of the jury, you did not discuss with  
09:59:32 13 them any of Mr. Ajami's testimony?

09:59:35 14 A. No, I didn't mention Mr. Ajami in the context of any of  
09:59:44 15 the things that I mentioned to the jury.

09:59:45 16 Q. Now, you stated that for the Futurion 2017 Mobile  
10:00:06 17 Deposit Benchmark Report, you showed a slide on that to the  
10:00:09 18 ladies and gentlemen of the jury, correct?

10:00:09 19 A. Yes, I did.

10:00:10 20 Q. And you said that there was no empirical data  
10:00:15 21 supporting the conclusions in that report, fair?

10:00:18 22 A. Yes.

10:00:19 23 Q. But the report was based on consumer attitudinal and  
10:00:28 24 behavioral data from surveying 1,044 consumers in July of  
10:00:37 25 2017, correct?

10:00:38 1 A. I believe that's what it states but that data was not  
10:00:42 2 part of the study itself.

10:00:44 3 Q. Sir, the report said that it was based on consumer  
10:00:47 4 attitudinal and behavioral data as the result of surveying  
10:00:52 5 1,044 consumers in July 2017, correct?

10:00:55 6 A. That's what is stated in the report.

10:00:57 7 Q. And it also states that working with digital strategy  
10:01:00 8 and design agency Comrade, live deposit accounts were  
10:01:00 9 accessed for each of the 15 financial institutions during  
10:01:03 10 July and August of 2017, with all such ratings provided by  
10:01:10 11 Comrade's user experience designers, correct?

10:01:13 12 A. You're providing a specific quote, so I need to see the  
10:01:16 13 document just to confirm that quote, please?

10:01:18 14 Q. Sure. Why don't you turn to Tab 4 in your binder, this  
10:01:23 15 is PX-005, Page 6 and 7.

10:01:38 16 MR. SHEASBY: And why don't we go ahead and  
10:01:39 17 publish those since it's pre-admitted?

10:01:47 18 Q. (By Mr. Sheasby) So -- just so the record is clear,  
10:01:50 19 this is the Futurion 2017 Report, correct?

10:01:53 20 A. Yes, it is.

10:01:53 21 Q. You told the ladies and gentlemen of the jury that  
10:01:55 22 you -- there was no empirical data supporting its  
10:01:58 23 conclusions, correct?

10:01:59 24 A. Correct.

10:01:59 25 Q. And there's a two-page discussion of its methodology,



10:02:03 1 correct?

10:02:03 2 A. There's a discussion of the methodology, that's  
10:02:05 3 correct.

10:02:05 4 Q. Yeah. And you didn't address that issue with the jury,  
10:02:08 5 correct?

10:02:08 6 A. I'm sorry, which issue, sir?

10:02:12 7 Q. The methodology that's described in the Futurion  
10:02:17 8 Report, fair?

10:02:18 9 A. Yeah, I didn't discuss the methodology with the jurors,  
10:02:23 10 that's correct.

10:02:23 11 Q. Now, you also talked about some calculations that you  
10:02:33 12 did using data provided by Ms. Lockwood-Stein, correct?

10:02:38 13 A. Yes.

10:02:39 14 MR. SHEASBY: And why don't we pull up your  
10:02:42 15 Demonstrative Slide 14? Go one more, I think, Mr. Huynh.  
10:02:54 16 Perfect.

10:02:55 17 Q. (By Mr. Sheasby) So for the ladies and gentlemen of  
10:02:59 18 the jury, for your hypothetical negotiation, you took the  
10:03:06 19 manual capture rate of 81.7 [sic] percent, correct, that's  
10:03:12 20 what you used as the manual capture rate in your  
10:03:14 21 calculations, fair?

10:03:15 22 A. For the but for manual capture rate that I used, yes,  
10:03:20 23 that's fair.

10:03:21 24 Q. And that was a date in January 2018, correct?

10:03:25 25 A. That's the date this 81.17 came from, that's fair.

10:03:29 1 Q. And you didn't pick January '17 when the rate was 65.62  
10:03:37 2 percent for your calculation, correct?

10:03:39 3 A. No, I did not.

10:03:40 4 Q. You didn't pick July '17 when the rate was 58.62  
10:03:45 5 percent, correct?

10:03:47 6 A. That's correct.

10:03:47 7 Q. You didn't pick July -- August '18 when the rate was  
10:03:54 8 65 percent, correct?

10:03:56 9 A. That's correct.

10:03:56 10 Q. You picked the highest rate that you could find on this  
10:04:02 11 demonstrative in front of you, correct?

10:04:05 12 A. Yes, and may I explain why?

10:04:07 13 Q. You may if you give me one moment.

10:04:10 14 Now, I want to explore down into the use of the  
10:04:17 15 January '18, 81.17 date which is the highest number you  
10:04:23 16 could possibly have chosen. And please turn to Tab 12 in  
10:04:28 17 your binder, which is PX-0031.

10:04:30 18 A. I'm sorry, tab?

10:04:32 19 Q. Tab 12 in your binder, which is PX-0031.

10:04:48 20 A. Okay.

10:04:48 21 Q. Now, this is data that Ms. Lockwood-Stein presented,  
10:04:55 22 correct?

10:04:55 23 A. Yeah, she discussed PX-0031.

10:04:57 24 Q. Well, she didn't discuss it, she actually brought it to  
10:05:02 25 her deposition, correct?

10:05:03 1 A. Oh, yes, yes, she did.

10:05:05 2 Q. And, in fact, when she brought it to her deposition,  
10:05:08 3 she listed it under the topic number of the value of auto  
10:05:16 4 capture, correct? This is the document she had listed  
10:05:19 5 under her agenda items as to the value of auto capture,  
10:05:24 6 fair?

10:05:24 7 A. Oh, I don't know which items it was responsive to in  
10:05:27 8 her deposition.

10:05:28 9 Q. Okay. We'll dig into that first.

10:05:31 10 A. Okay.

10:05:32 11 Q. So let's go to Tab 27 in your binder.

10:05:40 12 MR. SHEASBY: And why don't we pull up PX-0026?

10:05:48 13 Q. (By Mr. Sheasby) So PX-0026 is the notes that  
10:05:54 14 Ms. Lockwood-Stein brought into her -- brought -- brought  
10:05:57 15 in with her to her deposition, correct?

10:06:01 16 A. I believe so.

10:06:02 17 MR. SHEASBY: And why don't we pull up Topic 1.

10:06:08 18 Q. (By Mr. Sheasby) It says all facts relating to the  
10:06:10 19 impact of the accused instrumentalities on Wells Fargo's  
10:06:13 20 customer retention, customer acquisition, advertising, and  
10:06:20 21 sale of other products or services. Correct?

10:06:22 22 A. That's what it states, yes.

10:06:24 23 Q. And the -- what she listed under that is image  
10:06:28 24 acceptance rates, do you see that?

10:06:29 25 A. I do.

10:06:30 1 Q. And the image acceptance rates document that she's  
10:06:33 2 referring to was that PX-0 -- that PX-document we were just  
10:06:38 3 looking at, correct, that was PX-31, correct?

10:06:41 4 A. Yes, I believe that to be the case.

10:06:44 5 Q. Now, PX-31 has a large number of acceptance rates from  
10:06:48 6 it for both manual and auto capture, correct?

10:06:51 7 A. Yes, it does.

10:06:52 8 MR. SHEASBY: And why don't we actually turn to  
10:06:57 9 January 2018, which I believe is on Page 7 and 8 of that  
10:07:03 10 document, Mr. Huynh. So let's just level set. Why don't  
10:07:12 11 we pull up January '18. This is the Android data, and I  
10:07:16 12 believe on the previous page, Mr. Huynh, you will find the  
10:07:20 13 iOS data?

10:07:22 14 THE WITNESS: Excuse me.

10:07:30 15 Q. (By Mr. Sheasby) So just to level set, this is the  
10:07:35 16 source of the data that you used for your 81 percent,  
10:07:38 17 correct?

10:07:38 18 A. Yes.

10:07:41 19 Q. And if you see the -- for instance, in iOS, the video  
10:07:54 20 rate of success was 90 percent in January 2018. Do you see  
10:07:59 21 that, sir?

10:07:59 22 A. I do.

10:08:00 23 Q. Now, there is also a MiSnap manual number, correct?

10:08:03 24 A. For iOS, yes.

10:08:06 25 Q. That's 80.8 (sic) percent, correct?

10:08:08 1 A. For January of '18, yes, it is.

10:08:13 2 Q. Now, that's not a failed auto capture, the manual  
10:08:16 3 still -- the manual number is the number where the folks  
10:08:19 4 just take the picture, correct?

10:08:20 5 A. It's the -- it's the people that take the picture  
10:08:27 6 before auto capture has a chance to finish its application.

10:08:30 7 Q. Sure. And auto capture, it will -- it has a 20 second  
10:08:34 8 period of time before auto capture will -- will -- will log  
10:08:37 9 out, correct?

10:08:38 10 A. That's my understanding.

10:08:41 11 Q. And we heard from Mr. Calman that it's three frames per  
10:08:46 12 second, correct?

10:08:47 13 A. I don't remember the frames per second, sir.

10:08:50 14 Q. Okay. Now, what you did is you took the iOS manual  
10:08:56 15 rate from January 2018, the iOS still rate from January  
10:09:03 16 2018, and then you added the Android manual rate and the  
10:09:08 17 Android still rate, correct, to get your 81 percent?

10:09:12 18 A. Yes, I believe that's the case.

10:09:15 19 Q. Now, you're an economist, correct?

10:09:18 20 A. Yes.

10:09:18 21 Q. And as an economist, you believe it's important to  
10:09:21 22 fully explore the relevant data, correct?

10:09:24 23 A. Yes.

10:09:25 24 Q. And you'll see that in January of 2018, the -- there  
10:09:33 25 were 553,000 iOS checks deposited through something called:

10:09:38 1 MiSnap unknown. Do you see that, sir?

10:09:40 2 A. Yes, I do.

10:09:48 3 Q. There were more checks deposited through MiSnap unknown  
10:09:51 4 than were deposited through MiSnap still and manual. Take  
10:09:54 5 that back. There were only a few more checks deposited in  
10:09:58 6 MiSnap still and manual than were deposited in MiSnap  
10:10:01 7 unknown, correct?

10:10:02 8 A. Based upon that month, yes.

10:10:05 9 Q. And you did absolutely nothing whatsoever in your  
10:10:08 10 report to explain to the ladies and gentlemen of the jury  
10:10:09 11 what MiSnap unknown were, correct?

10:10:12 12 A. Correct, I didn't explain what MiSnap unknown was.

10:10:16 13 Q. And so you don't know if MiSnap unknown was more manual  
10:10:20 14 capture failures, correct?

10:10:21 15 A. Again, it's unknown.

10:10:24 16 Q. It's unknown because you didn't examine it, correct,  
10:10:26 17 sir?

10:10:26 18 A. Well, no, I did ask in the context of my reviewing this  
10:10:31 19 document what that was, and I was advised that it was  
10:10:35 20 unknown.

10:10:36 21 Q. Who -- who -- who advised you of that, sir?

10:10:39 22 A. I don't recall who it was specifically. We spoke to  
10:10:45 23 somebody at Wells Fargo about this data.

10:10:49 24 THE COURT: Let me -- let me interrupt for just a  
10:10:52 25 minute. At this juncture, ladies and gentlemen, we're

10:10:54 1 going to take a short recess, and you can simply close your  
10:10:58 2 notebooks and leave them in your chairs. Follow all the  
10:11:00 3 instructions that I've given you, and we'll be back in here  
10:11:03 4 shortly to continue. The jury is excused for recess.

10:11:06 5 COURT SECURITY OFFICER: All rise.

10:11:07 6 (Jury out.)

10:24:32 7 (Recess.)

10:24:33 8 COURT SECURITY OFFICER: All rise.

10:24:34 9 THE COURT: Be seated, please.

10:24:34 10 Are you prepared to continue, Mr. Sheasby?

10:24:43 11 MR. SHEASBY: I am, Your Honor.

10:24:44 12 THE COURT: You may return to the podium.

10:24:47 13 Let's bring in the jury, Mr. Johnston.

10:24:52 14 COURT SECURITY OFFICER: All rise.

10:25:16 15 (Jury in.)

10:25:16 16 THE COURT: Please be seated.

10:25:29 17 We'll continue with the Plaintiff's

10:25:33 18 cross-examination of the witness.

10:25:35 19 You may continue, Mr. Sheasby.

10:25:38 20 Q. (By Mr. Sheasby) We were looking at PX-031, correct?

10:25:42 21 A. Yes, sir.

10:25:42 22 Q. And we're talking about the fact that for your

10:25:46 23 81 percent manual capture rate, you chose the January 2018

10:25:51 24 date, correct?

10:25:52 25 A. That's correct.

10:25:52 1 Q. It's the highest date for manual capture on your  
10:25:55 2 demonstrative, correct?

10:25:57 3 A. Yes, that's correct.

10:25:59 4 Q. And that date has this category of unknown MiSnap  
10:26:06 5 events, correct?

10:26:07 6 A. Correct.

10:26:08 7 Q. And the rate -- the failure rate in those unknown  
10:26:11 8 MiSnap events is incredibly high, correct?

10:26:16 9 A. Well, it's 41.89 percent.

10:26:20 10 Q. Is that the failure rate or the success rate, sir?

10:26:23 11 A. I'm sorry, yeah, correct, that's the success rate so it  
10:26:26 12 would be the inverse.

10:26:27 13 Q. The failure rate is between 60 and 67 percent, correct?

10:26:31 14 A. For those unknown items, that's correct.

10:26:32 15 Q. And those unknown items are unknown, they're unknown by  
10:26:37 16 you, correct?

10:26:37 17 A. Correct.

10:26:38 18 Q. They're unknown to the jury, correct?

10:26:40 19 A. Correct.

10:26:42 20 Q. Now, those are the only two entries, in fact, that's  
10:26:45 21 the only -- only one of two months in this entire

10:26:48 22 Lockwood-Stein data in which there is unknown auto capture  
10:26:55 23 information with these extremely high rates of failure,  
10:26:57 24 correct?

10:26:57 25 A. I would have to look through the data and research that



10:27:00 1 specifically but without looking through the data --

10:27:04 2 Q. Please go ahead.

10:27:05 3 THE COURT: Let's make sure each of you finish  
10:27:07 4 talking before the other one jumps in, please.

10:27:10 5 And to the extent you can slow down, Mr. Sheasby,  
10:27:12 6 that would be helpful.

10:27:13 7 MR. SHEASBY: Yes, Your Honor.

10:27:23 8 Q. (By Mr. Sheasby) And to guide you, I believe the only  
10:27:25 9 unknown events are in December 2017 and January 2018?

10:27:30 10 A. I'm sorry, could you repeat those dates again?

10:27:45 11 Q. Yes. So I believe December 7 -- December 2017 is the  
10:27:52 12 other months that have these very large unknown failure  
10:27:56 13 rates with unknown reasons, correct?

10:28:01 14 A. Well, there's several months with unknowns. But, yes,  
10:28:07 15 December '17 does have a -- a higher rate. But there are  
10:28:11 16 several months that have unknown data in there, as well.

10:28:14 17 Q. The December and January -- December 2017 and the  
10:28:19 18 January 2018 dates are the times when there's these very  
10:28:22 19 large number of checks being deposited through something  
10:28:25 20 called unknown in which there's these very significant  
10:28:33 21 failure rates, correct?

10:28:38 22 A. Based upon my quick review, that appears to be the  
10:28:55 23 case.

10:28:56 24 Q. Now, you didn't need --

10:28:58 25 MR. SHEASBY: Why don't we pull those numbers

10:29:00 1 down, Mr. Huynh? And why don't we put back up PX -- why  
10:29:05 2 don't we put up -- pull up iX-0032.10?

10:29:12 3 Q. (By Mr. Sheasby) So this is Schedule 7 to your report,  
10:29:16 4 and you see there's the still and manual weighted averages  
10:29:19 5 that you used on the right-hand corner. Do you see that?

10:29:22 6 A. I do.

10:29:23 7 Q. Now, you could have chosen any date in this line,  
10:29:33 8 right, because you only chose one month for your  
10:29:35 9 calculation, correct? You chose January 2018, correct?

10:29:39 10 A. I did, for the reasons I explained before.

10:29:43 11 Q. You chose January 2018, which has the highest  
10:29:48 12 acceptance rates for manual to present your numbers to the  
10:29:52 13 jury, correct?

10:29:53 14 A. Has the highest -- has the highest weighted average,  
10:29:56 15 correct.

10:29:56 16 Q. That's the month in which there's these large number of  
10:30:00 17 unknown MiSnap failures that no one knows the reason for,  
10:30:06 18 correct?

10:30:06 19 A. That has the highest number of unknowns -- I don't know  
10:30:11 20 if anybody knows the reason, but not that I'm aware of.

10:30:14 21 Q. You don't know?

10:30:15 22 A. Correct.

10:30:16 23 Q. I don't know?

10:30:16 24 A. Correct.

10:30:16 25 Q. The jury doesn't know?

10:30:17 1 A. Correct.

10:30:18 2 Q. And yet that was the single month with the highest  
10:30:25 3 manual rate that you thought it was appropriate to use with  
10:30:30 4 the jury, fair?

10:30:31 5 A. For the reasons I explained to you previously, that's  
10:30:34 6 fair.

10:30:34 7 Q. So you would agree that when the jury goes back and  
10:30:39 8 deliberates and thinks about your credibility, they're  
10:30:43 9 entitled to consider the fact that you chose the highest  
10:30:48 10 number from one month during the period for the manual  
10:30:51 11 rate, correct?

10:30:51 12 A. I would hope that they would take into consideration  
10:30:54 13 that and all the other data and information that I  
10:30:56 14 presented to them that corroborated or supported my use of  
10:31:00 15 that number.

10:31:01 16 MR. SHEASBY: Your Honor, I believe that answer  
10:31:03 17 was non-responsive.

10:31:11 18 THE COURT: I'll sustain that objection.

10:31:14 19 Ask the question again.

10:31:15 20 Q. (By Mr. Sheasby) Sir, when the ladies and gentlemen of  
10:31:18 21 the jury go to deliberate and think about your credibility,  
10:31:22 22 they're entitled to consider the fact that you selected for  
10:31:25 23 the manual capture success rate the highest manual capture  
10:31:31 24 rate in the month of the highest unknown failures, fair?

10:31:34 25 A. That's the data that I used, that's correct.

10:31:40 1 Q. And they're allowed to consider that fact, fair?

10:31:42 2 A. Absolutely.

10:31:42 3 Q. They're allowed to consider the fact that there was all  
10:31:46 4 this unknown failure dates in that month of January 2018,  
10:31:50 5 correct?

10:31:50 6 A. Yes.

10:31:50 7 Q. They're allowed to consider the fact that you didn't  
10:31:51 8 disclose that to them --

10:31:51 9 THE COURT: Slow down, Mr. Sheasby.

10:31:53 10 Q. (By Mr. Sheasby) They're allowed to consider the fact  
10:31:55 11 that you didn't disclose it to them in your direct  
10:31:57 12 examination, correct?

10:32:00 13 A. The unknown capture -- yes, that's correct.

10:32:03 14 Q. Now, I want to turn to --

10:32:20 15 MR. SHEASBY: Mr. Huynh, can we turn to Trial Date  
10:32:23 16 10/31/19, beginning at 145, Line 11?

10:32:33 17 THE TECHNICIAN: Page number?

10:32:36 18 MR. SHEASBY: Page 145, Mr. Huynh.

10:32:40 19 Q. (By Mr. Sheasby) So you mentioned early that  
10:32:44 20 Mr. Saffici, Wells Fargo's expert, testified by deposition,  
10:32:47 21 correct?

10:32:47 22 A. Yes, he did.

10:32:48 23 Q. Mr. Saffici testified that you agree that the  
10:32:53 24 patents-in-suit introduced autonomous monitoring and  
10:32:56 25 corrective feedback techniques?

10:32:59 1 Answer: Yes.

10:33:03 2 Correct?

10:33:03 3 A. That's what he stated, yes.

10:33:05 4 Q. You have no basis to disagree with Mr. Saffici and you  
10:33:08 5 didn't in your direct examination, correct, sir?

10:33:08 6 A. I'm sorry, your question?

10:33:09 7 Q. You didn't disagree with Mr. Saffici's opinion in your  
10:33:12 8 direct examination, correct, sir?

10:33:15 9 A. No, I did not.

10:33:16 10 Q. Now, Mr. Saffici also testified that you agreed that  
10:33:22 11 those -- referring to those features of the patent, are  
10:33:26 12 referred to in the industry as auto capture, correct?

10:33:28 13 A. That's correct.

10:33:29 14 Q. And he said: I agree with that.

10:33:31 15 Correct?

10:33:31 16 A. Yes.

10:33:32 17 Q. This was Wells Fargo's expert, correct?

10:33:35 18 A. This is Mr. Saffici's testimony.

10:33:37 19 Q. And Mr. Saffici is a Wells Fargo expert, correct?

10:33:39 20 A. I believe so, yes.

10:33:42 21 Q. And he said he agreed that the USAA patents claim what  
10:33:49 22 the industry refers to as auto capture.

10:33:51 23 And you voiced no disagreement with that in your  
10:33:54 24 direct examination, correct, sir?

10:33:55 25 A. That's correct.

10:33:56 1 Q. And Mr. Saffici also agreed, and he doesn't dispute,  
10:34:02 2 that Wells Fargo -- strike that.

10:34:05 3 Mr. Saffici, Wells Fargo's expert, testified that  
10:34:08 4 he doesn't dispute that auto capture is widely acknowledged  
10:34:12 5 as the foundation for a successful mobile check deposit.

10:34:17 6 Do you see that, sir?

10:34:18 7 A. I see what you're highlighting, yeah.

10:34:22 8 Q. Now, you do disagree with that, correct, sir?

10:34:25 9 A. Yes, I do.

10:34:26 10 MR. SHEASBY: Your Honor, may I approach?

10:34:28 11 THE COURT: Approach the bench or approach --

10:34:30 12 MR. SHEASBY: Yes, sir, approach the bench, Your  
10:34:32 13 Honor.

10:34:32 14 THE COURT: Counsel, you may approach the bench.

10:34:33 15 (Bench conference.)

10:34:40 16 THE COURT: Going forward, please tell me where  
10:34:43 17 you want to go.

10:34:43 18 MR. SHEASBY: I apologize. I've done it twice,  
10:34:45 19 Your Honor. I'm sorry.

10:34:46 20 THE COURT: What's the issue?

10:34:47 21 MR. SHEASBY: Your Honor, I would now seek  
10:34:49 22 permission from the Court to establish that Mr. Saffici is  
10:34:53 23 a 34-year industry veteran in the banking industry with  
10:34:57 24 significant remote deposit capture experience.

10:34:59 25 THE COURT: And how would you plan to do that with

10:35:01 1 this witness?

10:35:01 2 MR. SHEASBY: By showing him a portion of his  
10:35:03 3 expert report without publishing it to the jury that solely  
10:35:07 4 relates to his experience and nothing else.

10:35:10 5 THE COURT: Showing this witness a portion of --

10:35:12 6 MR. SHEASBY: Mr. Saffici's expert report where he  
10:35:14 7 describes his experience. I will not publish it --

10:35:21 8 THE COURT: What's -- what's the response?

10:35:22 9 MS. WILLIAMS: We object to that. I mean, it's  
10:35:24 10 not within this witness's personal knowledge. And there  
10:35:26 11 was an opportunity for them to play that information with  
10:35:29 12 Mr. Saffici's deposition, and that's been already  
10:35:32 13 addressed.

10:35:32 14 THE COURT: I -- I agree with that. I'm going to  
10:35:34 15 sustain the objection.

10:35:35 16 MR. SHEASBY: Thank you, Your Honor.

10:35:35 17 (Bench conference concluded.)

10:35:47 18 THE COURT: Let's proceed.

10:35:57 19 MR. SHEASBY: Mr. Huynh, can we turn to the next  
10:35:59 20 page?

10:36:04 21 Q. (By Mr. Sheasby) Mr. Saffici testifies that he  
10:36:09 22 considered himself an expert in the field of remote deposit  
10:36:13 23 capture, correct, sir?

10:36:14 24 A. That's what he stated here.

10:36:17 25 Q. This is Wells Fargo's expert, correct, sir?

10:36:20 1 A. Apparently.

10:36:21 2 Q. You, on direct examination, did not tell the ladies and  
10:36:27 3 gentlemen of the jury that you're an expert in the field of  
10:36:30 4 remote deposit capture, correct, sir?

10:36:31 5 A. I think I was asked the question, but I'm not an expert  
10:36:35 6 in remote deposit capture.

10:36:36 7 Q. So for the ladies and gentlemen of the jury,  
10:36:39 8 Mr. Saffici, Wells Fargo's expert, testified under oath  
10:36:42 9 that he's an expert in the field of remote deposit capture,  
10:36:47 10 correct?

10:36:47 11 A. That's what he stated here.

10:36:48 12 Q. You testified under oath that you're not an expert in  
10:36:51 13 the field of remote deposit capture, correct?

10:36:53 14 A. Correct.

10:36:54 15 Q. Mr. Saffici testified that --

10:37:03 16 MR. SHEASBY: Let's go back above, Mr. Huynh, to  
10:37:06 17 the previous page.

10:37:07 18 Q. (By Mr. Sheasby) Mr. Saffici testified that auto  
10:37:13 19 capture is widely acknowledged as the foundation for  
10:37:15 20 successful mobile deposit. Under oath, he agreed to that?

10:37:20 21 A. That's what he stated here.

10:37:22 22 Q. He's Wells Fargo -- Wells Fargo's remote deposit  
10:37:25 23 capture expert, correct, sir?

10:37:26 24 A. I don't know the extent of what his specific role was.

10:37:31 25 Q. But one thing we know for sure is that you are not



10:37:34 1 Wells Fargo's remote deposit capture expert, correct,  
10:37:37 2 Mr. Gerardi?

10:37:37 3 A. No, sir, I'm the damages expert.

10:37:39 4 MR. SHEASBY: You can take that down, Mr. Huynh.

10:37:59 5 Now, why don't we turn to Calman Demonstrative  
10:38:02 6 Slide 18, Mr. Huynh?

10:38:04 7 Q. (By Mr. Sheasby) Now, Mr. Calman actually went through  
10:38:19 8 the process of calculating the averages for the data that  
10:38:24 9 Ms. Lockwood-Stein prepared, correct?

10:38:29 10 A. No, no, this is saying source to the Ajami deposition  
10:38:39 11 testimony. So I need to see if that was the document he  
10:38:43 12 was referring to.

10:38:43 13 Q. Sir, you were here for his testimony, correct?

10:38:45 14 A. I was.

10:38:45 15 Q. You understood that he was testifying about the  
10:38:47 16 Lockwood-Stein data, correct?

10:38:48 17 A. I don't recall that specifically.

10:38:52 18 Q. You don't recall Mr. Calman's testimony regarding the  
10:38:55 19 Lockwood-Stein data, sir?

10:38:56 20 A. Oh, I do recall his testimony about the Lockwood-Stein  
10:38:59 21 testimony. I just don't know if that's what he used  
10:39:01 22 specifically for these numbers.

10:39:02 23 Q. Okay. In your direct examination, did you find any  
10:39:07 24 dispute -- did you make any dispute whatsoever with the  
10:39:13 25 number that the average manual capture failure rate on the

10:39:17 1 Lockwood-Stein data that you use is 30.52 percent?

10:39:25 2 A. I don't know if I can answer that without looking at my  
10:39:28 3 data and performing my calculations. I can't say one way  
10:39:31 4 or the other.

10:39:32 5 Q. So -- just so we're clear, you've relied on the  
10:39:36 6 Lockwood-Stein data to present your analysis to the jury,  
10:39:38 7 correct?

10:39:38 8 A. Yes. That's one piece of evidence, yes.

10:39:41 9 Q. You selected one month for that analysis, that's the  
10:39:44 10 manual capture rate, correct?

10:39:45 11 A. For the reasons I explained, that's correct.

10:39:47 12 Q. The highest month, correct?

10:39:48 13 A. For the reasons I've explained, that's correct.

10:39:51 14 Q. And you didn't tell the ladies and gentlemen of the  
10:39:52 15 jury what would be the average manual capture failure rate  
10:39:55 16 if you would have averaged all the data in the  
10:39:57 17 Lockwood-Stein data, correct?

10:39:58 18 A. That's not -- not something I presented, that's  
10:40:01 19 correct.

10:40:01 20 Q. And so if the ladies and gentlemen of the jury want to  
10:40:03 21 know what averages are in the document, they're going to  
10:40:06 22 have to turn someplace else other than you; isn't that  
10:40:09 23 correct, Mr. Gerardi?

10:40:11 24 A. Again, that's not something I presented.

10:40:24 25 MR. SHEASBY: Let's turn to PDX-4.9, Mr. Huynh.

10:40:37 1 Q. (By Mr. Sheasby) Sir, you were here in Mr. Weinstein's  
10:40:42 2 direct examination; is that correct?

10:40:44 3 A. Yes, I was.

10:40:44 4 Q. Mr. Weinstein put up the damages statute that governs  
10:40:48 5 damages in a patent case, correct?

10:40:49 6 A. Yes, he did.

10:40:50 7 Q. You agree that the jury is obligated to -- to award  
10:40:57 8 no -- in no event less than a reasonable royalty, correct?

10:40:59 9 A. In no event -- no event less than a reasonable royalty  
10:41:03 10 for the use made of the invention, that's correct.

10:41:05 11 Q. And to be clear, what the jury should focus on is the  
10:41:09 12 use and benefit that Wells Fargo obtains from the  
10:41:12 13 invention, correct?

10:41:12 14 A. For the specific use of the invention, that's correct.

10:41:14 15 Q. Now, the jury will hear that under a preponderance of  
10:41:21 16 the evidence standard, correct?

10:41:22 17 A. That's a legal issue, so I'm not going to say yes or  
10:41:27 18 no, but I believe that to be the case.

10:41:28 19 Q. Do you know -- what standard did you apply to determine  
10:41:32 20 damages in this case?

10:41:33 21 A. What standard? Again, I looked to determine what the  
10:41:38 22 damages were based upon the analyses that I performed.

10:41:41 23 Q. You didn't apply the preponderance of the evidence  
10:41:43 24 standard?

10:41:45 25 MS. WILLIAMS: Objection, Your Honor.

10:41:46 1 THE COURT: What's your objection?

10:41:48 2 MS. WILLIAMS: This witness has no foundation to  
10:41:50 3 be able to answer this question. He's already testified  
10:41:53 4 that he doesn't have a legal background, and Your Honor is  
10:41:56 5 going to instruct the jury about the weight here -- the  
10:41:58 6 burden that is supposed to be applied and the weight that's  
10:42:01 7 supposed to be given to the evidence.

10:42:02 8 THE COURT: Well, he can ask the witness if he  
10:42:05 9 applied the preponderance standard. And if the witness  
10:42:05 10 says he did, he did. If he says he didn't or if he says I  
10:42:08 11 don't know. He can answer the question.

10:42:10 12 MS. WILLIAMS: Yes, Your Honor.

10:42:10 13 THE COURT: Overruled.

10:42:11 14 Q. (By Mr. Sheasby) Please answer the question.

10:42:12 15 A. So based upon that legal construct, yes, I believe I  
10:42:17 16 applied the preponderance of the evidence.

10:42:18 17 Q. But I thought you just told me you didn't know what  
10:42:24 18 preponderance of the evidence was?

10:42:24 19 A. I said I wasn't trying to interpret that for a legal  
10:42:27 20 standard, but yes, I applied the evidence and put weight  
10:42:33 21 that I believed to be quoted in the documents and the  
10:42:34 22 information I've seen.

10:42:34 23 Q. Do you know what the preponderance of the evidence  
10:42:35 24 standard is?

10:42:35 25 A. Balance of the evidence.

10:42:37 1 Q. And do you know if the evidence tips ever so slightly  
10:42:41 2 in favor of Plaintiff what the result is?

10:42:43 3 A. I believe that would be a preponderance of the  
10:42:45 4 evidence. But, again, I'm not rendering a legal  
10:42:48 5 interpretation of that.

10:42:49 6 THE COURT: All right. We've gotten into this  
10:42:50 7 legal issue enough. Let's move on.

10:42:52 8 MR. SHEASBY: Thank you, Your Honor.

10:42:53 9 Q. (By Mr. Sheasby) Now, there are two types of  
10:42:56 10 infringements being asserted in this case, there's  
10:42:59 11 infringement under the literal standard, correct?

10:43:01 12 A. That's my understanding, yes.

10:43:02 13 Q. There's also infringement under the Doctrine of  
10:43:05 14 Equivalents standard, correct?

10:43:05 15 A. That's my understanding.

10:43:08 16 Q. And the same amount of damages apply under either,  
10:43:16 17 correct?

10:43:16 18 A. I believe it's a legal issue, but I'm not -- I'm not  
10:43:22 19 making a distinction between whether it's an infringement  
10:43:26 20 under direct or literal infringement.

10:43:28 21 Q. In other words, there's no Doctrine of Equivalents  
10:43:30 22 discount, correct? If the patent is infringed literally  
10:43:33 23 under the Doctrine of Equivalents in your analysis, you  
10:43:36 24 agree that the same amount of damages should be applied,  
10:43:38 25 fair?

10:43:38 1 A. Fair.

10:43:40 2 Q. Now, in the hypothetical negotiation, the patent is  
10:43:46 3 assumed valid, enforceable and infringed, correct, sir?

10:43:49 4 A. That's correct.

10:43:51 5 Q. And so if the jurors think infringement is a close  
10:43:56 6 case, when they turn to damages, they must assume that the  
10:44:01 7 patent is infringed, valid, and enforceable, correct?

10:44:06 8 A. In the context of preparing my analyses, I have to  
10:44:10 9 assume for damages to be awarded, that the patent is found  
10:44:13 10 to be valid, enforceable, and infringed.

10:44:16 11 Q. And you agree that's the same analysis -- you believe  
10:44:19 12 that's the same analysis the jury should do, fair?

10:44:22 13 A. Again, in considering damages, you don't get to damages  
10:44:27 14 unless there's infringement, and so I'm presenting my  
10:44:30 15 analysis with the assumption that the patents are valid,  
10:44:35 16 enforceable, and infringed.

10:44:36 17 Q. Now, you agree that the patents are quite valuable,  
10:44:51 18 correct, sir?

10:44:52 19 Strike that.

10:44:53 20 You agree that some patents are quite valuable,  
10:44:57 21 correct, sir?

10:44:57 22 A. Are you talking about in a general context, sir?

10:45:00 23 Q. Yes, sir.

10:45:01 24 A. Yes.

10:45:01 25 Q. And you agree some patents are worth hundreds of

10:45:04 1 millions of dollars, correct, sir?

10:45:05 2 A. They absolutely could be, in a general sense.

10:45:09 3 Q. Now, as part of the hypothetical negotiation, the  
10:45:14 4 parties will consider the benefit Wells Fargo received from  
10:45:17 5 the technology, correct, sir?

10:45:19 6 A. That's the predicate that I've used in my analysis,  
10:45:22 7 yes.

10:45:23 8 MR. SHEASBY: And let's pull up PDX-4 -- let's --  
10:45:29 9 let's pull up PDX-4.18, Mr. Huynh.

10:45:33 10 Q. (By Mr. Sheasby) Mr. Weinstein identified three types  
10:45:43 11 of damages, cost savings, increased profits, and ecosystem  
10:45:47 12 benefits, correct?

10:45:49 13 A. That's my understanding, yes.

10:45:51 14 Q. You attribute no ecosystem benefit to auto capture  
10:45:55 15 MRDC, correct?

10:45:57 16 A. For the reasons that I've explained, that's correct.

10:45:59 17 Q. You attribute no value whatsoever to the increased  
10:46:04 18 profits from auto capture MRDC, correct, sir?

10:46:06 19 A. In the context of my analyses, that's correct.

10:46:11 20 Q. Why don't we turn to PDX -- PX-7, which is Tab 25 in  
10:46:20 21 your binder.

10:46:33 22 MR. SHEASBY: And why don't we turn the page,  
10:46:38 23 Mr. Huynh, to Page 11?

10:46:46 24 Q. (By Mr. Sheasby) So Wells Fargo's documents identify a  
10:46:57 25 number of primary benefits to Wells Fargo of MRDC, correct?

10:47:05 1 A. These expectations -- they're aspirations for MRDC,  
10:47:10 2 correct.

10:47:10 3 Q. Channel optimization, that's another name for cost  
10:47:14 4 savings, correct?

10:47:14 5 A. Yes.

10:47:14 6 Q. Deposit balance growth, that's about how MRDC can  
10:47:18 7 increase profits, correct?

10:47:19 8 A. How MRDC could potentially increase profits, that's  
10:47:24 9 correct.

10:47:24 10 Q. And brand positioning reputation, that's about how --  
10:47:27 11 that relates to what some might call as the ecosystem  
10:47:34 12 effect, correct, sir?

10:47:35 13 A. In a general construct, yes.

10:47:37 14 MR. SHEASBY: And so let's pull that down.

10:47:38 15 Q. (By Mr. Sheasby) And to be clear, you didn't assign  
10:47:41 16 any in your analysis -- in your damage analysis, you didn't  
10:47:44 17 assign any ecosystem benefit based on the patents-in-suit,  
10:47:47 18 correct?

10:47:47 19 A. No, and may I explain?

10:47:50 20 Q. Sir, the answer -- you may. I'll get right back to it.

10:47:58 21 You also didn't assign any value to any -- to  
10:48:02 22 the -- to the auto capture patents based on any profits  
10:48:05 23 that may have been created by MRDC, correct, sir?

10:48:07 24 A. That were created by MRDC? No, that's correct.

10:48:10 25 Q. Yes. Now, one of the other --



10:48:14 1 A. That were created by auto capture, that's correct.

10:48:15 2 Q. No, sir, I was actually asking you a different  
10:48:21 3 question.

10:48:21 4 In your damages analysis, you didn't consider any  
10:48:24 5 profits that were generated by MRDC, correct?

10:48:26 6 A. I would disagree with that.

10:48:31 7 Q. So you agree that MRDC has generated profits, correct,  
10:48:36 8 sir?

10:48:36 9 A. I would agree that looking at MRDC and the benefits of  
10:48:42 10 moving from manual capture to auto capture would  
10:48:44 11 potentially increase profits because it has lower costs of  
10:48:49 12 processing.

10:48:50 13 Q. You didn't -- you didn't explore any profits associated  
10:48:53 14 with deposit growth or increased spending by the customer,  
10:48:57 15 correct?

10:48:57 16 A. Of those two specific items? No, I did not.

10:48:59 17 Q. Okay. Now, you also criticized Mr. Calman's discussion  
10:49:05 18 of the 40 percent value that he attributed as a technical  
10:49:09 19 matter to auto capture, correct?

10:49:10 20 A. I criticized his use of the 40 percent that he's  
10:49:17 21 attributing to auto capture.

10:49:19 22 Q. Now, you did not ask -- ask Dr. Villasenor to render an  
10:49:23 23 opinion as to whether Mr. Calman's assessment that  
10:49:27 24 40 percent of the value of MRDC is auto capture, correct?

10:49:30 25 A. No, I did not.

10:49:31 1 Q. You did not ask Mr. Villasenor, any other technologist  
10:49:36 2 anywhere in the world, to analyze from a technical  
10:49:40 3 perspective Mr. Calman's analysis, correct?

10:49:43 4 A. That's fair.

10:49:43 5 Q. You did not ask Mr. Saffici, correct?

10:49:45 6 A. No, I did not.

10:49:46 7 Q. You did not ask any Wells Fargo technologist, correct?

10:49:50 8 A. Wells Fargo technologist? No, I did not.

10:49:53 9 Q. From a technical perspective in terms of technical  
10:49:57 10 components, you are not qualified to evaluate the impact of  
10:50:02 11 auto capture on MRDC, correct, sir?

10:50:07 12 A. From a technical perspective in terms of the -- the  
10:50:14 13 mechanical and -- and software/hardware parts of the  
10:50:19 14 system, no, I am not.

10:50:20 15 Q. Sir, from a technical perspective in terms of technical  
10:50:24 16 components, you are not qualified to evaluate the impact of  
10:50:28 17 auto capture on MRDC, yes or no?

10:50:33 18 A. In that definition of technical, that's correct.

10:50:37 19 Q. Now, Mr. Calman performed some analysis in which he  
10:51:07 20 concludes that auto capture, if it was turned off, it would  
10:51:15 21 be inaccessible -- unacceptable to consumers, correct?

10:51:18 22 A. I have a general understanding, yes, that's correct.

10:51:21 23 Q. You're not an expert in mobile remote deposit capture,  
10:51:25 24 correct, sir?

10:51:25 25 A. In terms of the technical aspects of it, no.

10:51:28 1 Q. You said previously you're not an expert in mobile

10:51:34 2 remote deposit capture, correct, sir?

10:51:35 3 A. That's correct.

10:51:35 4 Q. And you didn't ask any technologist, anyone who is an

10:51:41 5 expert in mobile remote deposit capture, such as

10:51:44 6 Mr. Villasenor who is independent in this case, whether

10:51:46 7 Mr. Calman was correct or incorrect, fair?

10:51:48 8 A. From a technical perspective, that's correct.

10:51:50 9 MR. SHEASBY: Your Honor, I pass the witness.

10:51:52 10 THE COURT: All right. Is there redirect,

10:51:54 11 Ms. Williams?

10:51:55 12 MS. WILLIAMS: Yes, Your Honor.

10:51:56 13 THE COURT: All right. Proceed with your redirect

10:51:58 14 examination.

10:51:58 15 MS. WILLIAMS: Thank you, Your Honor.

10:51:58 16 REDIRECT EXAMINATION

10:51:59 17 BY MS. WILLIAMS:

10:51:59 18 Q. Mr. Gerardi, counsel for USAA discussed your opinion on

10:52:17 19 the commercial viability of manual capture as a

10:52:19 20 non-infringing alternative. Is this an analysis -- kind of

10:52:22 21 analysis that you've done before?

10:52:24 22 A. Oh, yes, scores of times.

10:52:25 23 Q. And what is the technical expert's role in that kind of

10:52:31 24 analysis?

10:52:31 25 A. The technical expert's role to me is to help me

10:52:34 1 understand the technological aspects of it. My role as the  
10:52:40 2 damages expert is to analyze the economics and the  
10:52:44 3 financial business side of it.

10:52:45 4 Q. Is that why you talked to Dr. Villasenor?

10:52:48 5 A. Yes, again to understand the technical aspects of the  
10:52:50 6 product.

10:52:50 7 Q. Did he have to offer a formal report or opinion to have  
10:52:54 8 the discussion with you about whether manual capture was  
10:52:59 9 not infringing?

10:53:00 10 A. No, he did not.

10:53:02 11 Q. Is there any real disagreement that manual capture does  
10:53:05 12 not infringe?

10:53:06 13 A. I don't think there is, no.

10:53:07 14 Q. Is there any disagreement that it is technologically  
10:53:17 15 feasible to do manual capture?

10:53:20 16 A. No. Again, I think we've seen that Wells Fargo has  
10:53:24 17 actually deployed and working with and had a fully  
10:53:28 18 operational mobile deposit -- or mobile remote deposit  
10:53:31 19 capture system using manual capture.

10:53:33 20 Q. And what is your role in the analysis of determining  
10:53:41 21 commercial acceptance of a non-infringing alternative?

10:53:44 22 A. Again, is to evaluate the economics and the business  
10:53:47 23 aspects of one system versus the other.

10:53:49 24 Q. And in this case, why did you determine that manual  
10:53:55 25 capture is commercially acceptable?

10:53:57 1 A. Oh, for the reasons that we talked about previously. I  
10:54:01 2 can see that Wells Fargo spent several years evaluating  
10:54:07 3 this type of system and made an informed decision and spent  
10:54:11 4 a lot of money to come to the market with a manual capture  
10:54:15 5 remote deposit system. And they, in fact, deployed that  
10:54:17 6 system in the market, so it -- it worked. It exceeded  
10:54:20 7 their expectations.

10:54:21 8 And so from an economic perspective, that, to me,  
10:54:25 9 indicates that there was an acceptable product that was  
10:54:27 10 viable and that was workable.

10:54:29 11 Q. You were asked some questions about Mr. Ajami's  
10:54:32 12 testimony, do you recall that?

10:54:35 13 A. Yes.

10:54:35 14 Q. In -- in any of the testimony that you've reviewed from  
10:54:38 15 Mr. Ajami, have you ever heard him talk about USAA's  
10:54:43 16 version of auto capture as part of his statement related to  
10:54:49 17 the Futurion Report?

10:54:49 18 A. No.

10:55:04 19 MS. WILLIAMS: May we have PX-31, please?

10:55:11 20 Q. (By Ms. Williams) Mr. Gerardi, you were asked a number  
10:55:17 21 of questions about -- about PX-31 in your selection of  
10:55:24 22 81.17 percent as the manual capture acceptance rate. Why  
10:55:30 23 did you feel comfortable using 81.17 percent even with the  
10:55:40 24 line item of MiSnap unknowns?

10:55:42 25 A. I couldn't hear -

10:55:42 1 Q. Excuse me?

10:55:42 2 A. I couldn't hear the last part of your sentence, I'm  
10:55:44 3 sorry.

10:55:44 4 Q. Oh. You were asked a number of questions about PX-31.

10:55:49 5 A. Yes.

10:55:50 6 Q. And why did you feel comfortable using the data at  
10:55:54 7 PX-31 in arriving at 81.17 percent even with the MiSnap  
10:56:00 8 unknown line item in that January 2018 section of the --  
10:56:05 9 PX-31?

10:56:06 10 A. Because the unknown means I got unknown. We just don't  
10:56:09 11 know what it is, and there's no way for me to determine how  
10:56:12 12 that affected auto, how that affected the other manuals or  
10:56:17 13 not. So I just -- I had no reason to base -- to use that  
10:56:23 14 in my calculus.

10:56:24 15 Q. Did you look at other information to corroborate the  
10:56:28 16 81.17 percent?

10:56:28 17 A. Oh, yes. We discussed several of those pieces of  
10:56:31 18 corroborating evidence previously.

10:56:32 19 Q. And what are those?

10:56:33 20 A. Oh, you have USAA's performance with its manual  
10:56:40 21 capture. There were US -- Wells Fargo's -- so we have it  
10:56:45 22 here. USAA's manual acceptance rate. There was the MiSnap  
10:56:51 23 information that did -- that identified the expected  
10:56:55 24 improvement going from manual to auto capture. There was  
10:56:57 25 this document from USAA.

10:57:00 1 Again -- I'm sorry, just go back if we could,  
10:57:02 2 please, once. Again, clearly demonstrating for that period  
10:57:06 3 of time, USAA's manual capture success rate and the  
10:57:11 4 difference.

10:57:13 5 THE WITNESS: Next, please.

10:57:14 6 A. And, again, based upon US -- Wells Fargo's own  
10:57:17 7 experience for that limited time period, again, they had  
10:57:21 8 approximately an 80 percent acceptance rate there. And a 6  
10:57:26 9 percent improvement there.

10:57:27 10 And Mr. Bueche's testimony that USAA experienced  
10:57:31 11 an 81 percent manual capture rate when their auto capture  
10:57:36 12 system didn't work.

10:57:38 13 Q. (By Ms. Williams) Did you look at this 81.17 percent  
10:57:41 14 in isolation?

10:57:42 15 A. Oh, no, not at all.

10:57:47 16 MS. WILLIAMS: May we have PX-7, please?

10:57:53 17 Q. (By Ms. Williams) Do you recall reviewing this  
10:57:58 18 document with counsel for USAA?

10:58:00 19 A. Yes, I do.

10:58:00 20 Q. What's the date of this document?

10:58:02 21 A. January 2011.

10:58:04 22 Q. Was auto capture used in January 2011?

10:58:09 23 A. No, it was not.

10:58:10 24 Q. Was the form of capture being considered as part of  
10:58:15 25 this review in January 2011?

10:58:19 1 A. It was manual capture.

10:58:23 2 Q. Is -- is there anything that you saw in this report  
10:58:26 3 that links the benefits to auto capture?

10:58:29 4 A. No, not at all.

10:58:32 5 Q. At the time of the benefits described in this document,  
10:58:37 6 what was the form of capture available?

10:58:40 7 A. Again, it would have been manual capture MRDC.

10:58:53 8 MS. WILLIAMS: Your Honor, may I have a moment?

10:58:55 9 THE COURT: You may.

10:59:09 10 MS. WILLIAMS: Thank you, Your Honor.

10:59:10 11 May we go back to PX-31, please?

10:59:13 12 Q. (By Ms. Williams) Counsel for USAA showed you that  
10:59:23 13 there are -- highlighted for you that there are lower  
10:59:25 14 numbers in PX-31 for MiSnap still and MiSnap manual. Do  
10:59:30 15 you recall that?

10:59:30 16 A. I do.

10:59:32 17 Q. And why didn't you rely on those low numbers in  
10:59:37 18 determining what the acceptance rate would be in your  
10:59:41 19 analysis for manual capture?

10:59:42 20 A. I'm sorry, could you repeat your question?

10:59:45 21 Q. Why didn't you rely on the lower rates in PX-31 to  
10:59:50 22 determine your manual acceptance rate?

10:59:52 23 A. So, again --

10:59:53 24 MR. SHEASBY: Your Honor, I object. Outside the  
10:59:56 25 scope of the report.



10:59:56 1 THE COURT: What's your response, Ms. Williams?

10:59:59 2 MS. WILLIAMS: I'm sorry, I didn't hear the  
11:00:00 3 objection.

11:00:00 4 THE COURT: Well, apparently, people are not  
11:00:02 5 hearing very well in here.

11:00:04 6 The objection was that the question calls for  
11:00:08 7 testimony that's beyond the scope of this expert's report.

11:00:11 8 MS. WILLIAMS: That is not -- I disagree, Your  
11:00:13 9 Honor. I can provide you with the -- the section number.

11:00:18 10 THE COURT: All right. Please do so.

11:00:33 11 Counsel, approach the bench, please.

11:00:35 12 (Bench conference.)

11:00:41 13 MS. WILLIAMS: Your Honor, he's already testified  
11:00:43 14 as to why the rates are lower, and he has -- he has in --  
11:00:55 15 one of his paragraphs in his report, he discusses this  
11:00:58 16 conversation that he had with Ms. Lockwood-Stein and her  
11:01:01 17 testimony about what the compromise major is of the MiSnap  
11:01:06 18 manual and the MiSnap still and why that they are  
11:01:10 19 artificially low. And he's already testified to that on  
11:01:14 20 direct, Your Honor, without objection, and it is in his  
11:01:16 21 report.

11:01:16 22 MR. SHEASBY: That was in the section of his  
11:01:17 23 report that was stricken. I didn't make the objection  
11:01:20 24 previously. I think it was a different question.

11:01:22 25 THE COURT: The question -- the issue before me

11:01:24 1 now is Mr. Sheasby's objection goes to your question,  
11:01:29 2 Ms. Williams, which is why didn't you use the lower  
11:01:32 3 percentage numbers reflected in this PX-31. If there's a  
11:01:35 4 section in his report where he discusses PX-31 and explains  
11:01:39 5 why he used the high end of the numbers and not the low end  
11:01:43 6 of the numbers, then I need to see that.

11:01:45 7 MS. WILLIAMS: So, Your Honor, with Your Honor's  
11:01:48 8 instruction or order at the pre-trial conference, he was  
11:01:51 9 instructed to use PX-31 for the manual capture number. And  
11:01:55 10 so he -- and so that is -- at the pre-trial conference, you  
11:02:02 11 indicated or you asked counsel for USAA if there was going  
11:02:05 12 to be any objection about that number -- about the  
11:02:08 13 information in the report going forward, and he indicated  
11:02:10 14 that there wasn't going to be.

11:02:12 15 So --

11:02:13 16 THE COURT: This is not an objection as to PX-31.

11:02:17 17 MS. WILLIAMS: Uh-huh.

11:02:18 18 THE COURT: It's an objection that based on PX-31,  
11:02:21 19 did this witness, Mr. Gerardi, discuss in his report the --  
11:02:26 20 the use or rationale not to use the lower end of the  
11:02:31 21 numbers reflected in PX-31 than the higher end, which he  
11:02:35 22 did use.

11:02:36 23 MS. WILLIAMS: Yes, Your Honor.

11:02:37 24 THE COURT: That's the question. Is that in his  
11:02:39 25 report?

11:02:39 1 MS. WILLIAMS: Yes, Your Honor. He described Ms.  
11:02:41 2 Lockwood -- his conversations with Ms. Lockwood-Stein and  
11:02:45 3 her testimony about --

11:02:46 4 THE COURT: Show me.

11:02:47 5 MS. WILLIAMS: Yes, Your Honor.

11:02:49 6 MR. SHEASBY: Your Honor, that was the section  
11:02:50 7 stricken --

11:02:51 8 THE COURT: Well, let's see -- let her identify  
11:02:55 9 the section, and then we'll determine if it's a live part  
11:02:59 10 of the report.

11:03:00 11 MS. WILLIAMS: Just bear with me, Your Honor.

11:03:00 12 MR. SHEASBY: I'll help you with -- -

11:03:03 13 THE COURT: No, Mr. Sheasby, it's not your job to  
11:03:03 14 help her look.

11:03:23 15 If I need to send the jury out and give you time  
11:03:25 16 to put this at your table and look through it, I will.  
11:03:28 17 That's what I talked about in pre-trial, why these kind of  
11:03:31 18 objections are so problematic.

11:03:33 19 If you can find it quickly, Ms. Williams, that's  
11:03:35 20 great. If you can't, I don't want to disadvantage you by  
11:03:39 21 not giving you time to look.

11:03:42 22 MS. WILLIAMS: Yes, Your Honor.

11:03:42 23 May I please have a minute to look, Your Honor?

11:03:44 24 THE COURT: Yes. I'll send the jury out, and you  
11:03:46 25 go to your counsel table and look at it.

11:03:50 1 MS. WILLIAMS: Yes, Your Honor. Thank you.

11:03:52 2 (Bench conference concluded.)

11:03:52 3 THE COURT: Ladies and gentlemen, this may take  
11:03:53 4 some additional time. I'm not going to require that you  
11:03:56 5 sit in the jury box during this process.

11:03:59 6 So you may close your notebooks and retire to the  
11:04:02 7 jury room. I'll have you back in here as quickly as  
11:04:06 8 possible once I've covered this with counsel. Follow all  
11:04:09 9 the instructions I've given you, including not to discuss  
11:04:11 10 the case among yourselves.

11:04:13 11 The jury should retire to the jury room.

11:04:17 12 COURT SECURITY OFFICER: All rise.

11:04:18 13 (Jury out.)

11:04:19 14 THE COURT: Be seated, please.

11:04:42 15 While the jury is out of the jury room, I'll  
11:05:00 16 take -- or out of the courtroom, rather, I'll take this  
11:05:03 17 opportunity to update counsel.

11:05:05 18 Plaintiff has 2 hours and 20 minutes remaining.

11:05:07 19 Defendant has 1 hour and 25 minutes remaining.

11:05:17 20 MR. MELSHEIMER: Thank you, Your Honor.

11:05:18 21 MR. SHEASBY: Thank you, Your Honor.

11:07:48 22 MS. WILLIAMS: Your Honor, may we approach?

11:07:49 23 THE COURT: There's no need to. The jury is not  
11:07:53 24 in the courtroom.

11:07:53 25 MS. WILLIAMS: Oh, yes, Your Honor.

11:07:54 1 THE COURT: Tell me what you have, Ms. Williams.

11:07:56 2 MS. WILLIAMS: So in Paragraph 143 and in 2 --

11:08:10 3 143, he discusses his criticisms. And then also -- or,

11:08:15 4 excuse me, he discusses his criticisms of the data that

11:08:18 5 Mr. Calman relied on.

11:08:21 6 And then also talks about the reliance on the

11:08:27 7 manual and still mode in Paragraph 263.

11:08:32 8 THE COURT: Is there anything specific in his

11:08:33 9 report that identifies why he did not use the lower numbers

11:08:38 10 reflected on PX-31 in place of the higher number that he's

11:08:43 11 testified to?

11:08:44 12 MS. WILLIAMS: Not -- not in the way that Your

11:08:48 13 Honor has phrased it, but in the context of criticizing

11:08:52 14 Mr. Calman's reliance on those numbers, there is. But I'm

11:08:56 15 happy to withdraw the question, Your Honor, and ask another

11:08:58 16 one.

11:08:58 17 THE COURT: Well, your question was specifically

11:09:01 18 targeted to PX-31 which you had put on the screen --

11:09:01 19 MS. WILLIAMS: Yes, Your Honor.

11:09:04 20 THE COURT: -- at your instruction. And unless --

11:09:07 21 unless there's a clear discussion of this exhibit,

11:09:10 22 establishing why this witness chose to use the high end of

11:09:13 23 the numbers reflected on this exhibit as opposed to the low

11:09:16 24 end, then I'll have -- I'll sustain the objection, or you

11:09:20 25 can withdraw the question.

11:09:21 1 MS. WILLIAMS: I'll withdraw the question, Your  
11:09:23 2 Honor.

11:09:23 3 THE COURT: All right. I'm going to bring the  
11:09:24 4 jury back in. I think they're entitled to know the  
11:09:26 5 resolution of this. So you should withdraw the question  
11:09:29 6 once the jury is back in the box.

11:09:31 7 MS. WILLIAMS: Yes, Your Honor.

11:09:31 8 THE COURT: All right. All right. Let's bring  
11:09:40 9 the jury back.

11:09:49 10 (Off the record discussion.)

11:09:55 11 THE COURT: And I'll charge this time consumed in  
11:10:05 12 this process to the Defendant.

11:10:14 13 COURT SECURITY OFFICER: All rise.

11:10:15 14 (Jury in.)

11:10:15 15 THE COURT: Please be seated.

11:10:34 16 Ms. Williams, it's my understanding that you wish  
11:10:43 17 to withdraw the question that led to the objection by Mr.  
11:10:46 18 Sheasby?

11:10:47 19 MS. WILLIAMS: Yes, Your Honor.

11:10:48 20 THE COURT: The question is withdrawn. Ask your  
11:10:51 21 next question.

11:10:52 22 MS. WILLIAMS: Thank you, Your Honor.

11:10:56 23 Q. (By Ms. Williams) Mr. Gerardi, counsel for USAA  
11:10:58 24 discussed with you that Mr. Calman's opinion that manual  
11:10:58 25 capture is not accepted -- is not acceptable. Do you

11:11:01 1 remember that?

11:11:01 2 A. I do.

11:11:01 3 Q. Now, are you an expert in the economic acceptability in  
11:11:05 4 the market of technology?

11:11:06 5 A. I'm an expert in evaluating the -- the market for  
11:11:12 6 technology, yes.

11:11:12 7 Q. By looking at consumer behavior in the market, what did  
11:11:15 8 you conclude about whether the market would accept manual  
11:11:19 9 capture as an alternative to the manual MRDC system --  
11:11:23 10 excuse me, auto capture system?

11:11:24 11 A. As I explained previously, it already had. I mean,  
11:11:30 12 Wells Fargo already had an existing manual deposit  
11:11:34 13 remote -- manual capture remote deposit system in place,  
11:11:34 14 and it was successful at that point in time.

11:11:37 15 Q. Would the parties at the hypothetical negotiation know  
11:11:41 16 this information and consider it?

11:11:43 17 A. Absolutely.

11:11:43 18 Q. You were asked some questions about Doctrine of  
11:11:49 19 Equivalents and direct infringement. Do you recall those  
11:11:51 20 questions?

11:11:51 21 A. Yes, I do.

11:11:53 22 Q. And so if -- if the jury doesn't find that there is  
11:11:57 23 infringement by Wells Fargo, what are the damages in this  
11:12:00 24 case?

11:12:00 25 A. Zero.

11:12:01 1 Q. And if the jury doesn't find that there's infringement  
11:12:04 2 under the Doctrine of Equivalents, what are the damages in  
11:12:07 3 this case?

11:12:08 4 A. Zero.

11:12:10 5 MS. WILLIAMS: Your Honor, I pass the witness.

11:12:13 6 THE COURT: All right. Is there additional  
11:12:15 7 cross-examination?

11:12:16 8 MR. SHEASBY: Your Honor, Plaintiff have no  
11:12:17 9 further questions of this witness.

11:12:18 10 THE COURT: Then, Mr. Gerardi, you may step down.

11:12:21 11 THE WITNESS: Thank you, sir.

11:12:24 12 MR. MELSHEIMER: Your Honor, may we approach  
11:12:25 13 briefly on a housekeeping matter?

11:12:27 14 THE COURT: Approach the bench.

11:12:29 15 (Bench conference.)

11:12:49 16 THE COURT: Let's talk into these microphones,  
11:12:51 17 please.

11:12:51 18 MR. MELSHEIMER: Yes, Your Honor. So we're --  
11:12:53 19 we're prepared to rest our evidence, Your Honor, subject to  
11:12:56 20 an offer of proof about some previously excluded evidence  
11:12:59 21 and testimony. But I assume we'll be allowed to do that --

11:13:05 22 THE COURT: Outside the presence of the jury.

11:13:06 23 MR. MELSHEIMER: -- outside the presence of the  
11:13:08 24 jury, of course. Your Honor, the only issue, the reason  
11:13:10 25 why I'm up here is because there was a brief filed at 6:00



11:13:14 1 o'clock this morning arguing that something Dr. Villasenor  
11:13:17 2 had said had opened the door to an instruction from the  
11:13:22 3 Court. I guess I'm a little concerned that -- first of  
11:13:26 4 all, that objection was -- there was no objection raised  
11:13:28 5 during his testimony to that --

11:13:30 6 THE COURT: Let me stop you, Mr. Melsheimer. I  
11:13:32 7 haven't thoroughly reviewed it since it only came in this  
11:13:36 8 morning, but my understanding, it goes to the issue of what  
11:13:39 9 the Court will instruct the jury on as a part of its  
11:13:43 10 charge; is that correct? Is that the request that it be  
11:13:45 11 included in the charge?

11:13:46 12 MR. SHEASBY: Yes, Your Honor. It's purely a  
11:13:48 13 legal issue for the charge.

11:13:49 14 MR. MELSHEIMER: It is, Your Honor, except that  
11:13:53 15 I -- if the Court -- well, our concern is --

11:13:56 16 THE COURT: I'm not going to take up  
11:13:58 17 charge-related issues right now.

11:14:00 18 MR. MELSHEIMER: Well, Your Honor, I understand  
11:14:02 19 that. I'm not asking you to.

11:14:03 20 THE COURT: Okay.

11:14:04 21 MR. MELSHEIMER: All I'm saying is we were  
11:14:05 22 prepared to rest our case. If there's going to be a change  
11:14:08 23 in what the parties are anticipating and have long  
11:14:10 24 anticipated about what the jury is going to be told, you  
11:14:14 25 know, Dr. Villasenor has been released. I guess we could

11:14:17 1 try to go get him back here to clarify or explain his  
11:14:20 2 testimony. That's the concern I'm raising with the Court  
11:14:23 3 is that --

11:14:24 4 THE COURT: Here's -- here's my short answer,  
11:14:26 5 Mr. Melsheimer. The Court's not going to be compelled to  
11:14:30 6 address what it is or isn't going to include in its charge  
11:14:35 7 before you rest your case so that you'll know what you need  
11:14:38 8 or don't need to put on in evidence. That's not the way it  
11:14:41 9 works. You choose what to put before the jury just as the  
11:14:45 10 Plaintiff will choose what if anything to put in his  
11:14:48 11 rebuttal case, and then when all the evidence is in for the  
11:14:51 12 first time, the Court will take up based on that evidence  
11:14:55 13 what the Court believes is an appropriate and fair charge  
11:14:58 14 to the jury will be. But I'm not going to be put in a  
11:15:01 15 position of having to say yes or no now on an issue related  
11:15:05 16 to what's appropriate for the charge so you can feel better  
11:15:06 17 or worse about what evidence you've put on or not put on.

11:15:09 18 MR. MELSHEIMER: Your Honor, I'm not -- I'm not  
11:15:11 19 making this point well. And I apologize.

11:15:14 20 THE COURT: That's the way it seems to me.

11:15:16 21 MR. MELSHEIMER: We're not trying to put you in  
11:15:18 22 any kind of position to do that.

11:15:19 23 What I'm suggesting is, is that, for example, the  
11:15:22 24 charge that they want, to me, would argue for us to be able  
11:15:26 25 to offer some evidence from the prosecution history if the

11:15:31 1 Court excluded specifically the Graham reference where they  
11:15:35 2 distinguish their patent over Graham by saying there was a  
11:15:38 3 timing condition in the order of steps mattered. So if  
11:15:42 4 that instruction was going to go in, which I don't think it  
11:15:45 5 should, I know we're not arguing it, but we --

11:15:48 6 THE COURT: Well, that's exactly what you're  
11:15:50 7 doing, you're arguing it right now.

11:15:51 8 MR. MELSHEIMER: We do have evidence -- I guess I  
11:15:53 9 will say this, Your Honor, we will proffer the evidence  
11:15:56 10 from the prosecution history that the Court has excluded  
11:15:58 11 with respect to this Graham reference, and I'm happy to put  
11:16:03 12 that in an offer of proof if that's a --

11:16:05 13 THE COURT: You can put whatever in your offer of  
11:16:08 14 proof that you want to put outside the presence of the  
11:16:10 15 jury, but I'm not going to tell you, because I don't know  
11:16:12 16 at this point without having studied it further, whether  
11:16:15 17 there's any merit to what this trial brief was filed at  
11:16:18 18 6:00 a.m. this morning or not.

11:16:19 19 MR. MELSHEIMER: Understood. Understood, Your  
11:16:21 20 Honor.

11:16:21 21 THE COURT: And I'm not going to take up the  
11:16:23 22 charge piecemeal while the Defendant is still in its  
11:16:26 23 case-in-chief, okay?

11:16:28 24 MR. MELSHEIMER: Okay. Understood, Your Honor.

11:16:30 25 THE COURT: All right?

11:16:30 1 MR. SHEASBY: Thank you, Your Honor.

11:16:31 2 (Bench conference concluded.)

11:16:40 3 THE COURT: Defendant, call your next witness.

11:16:41 4 MR. MELSHEIMER: May it please the Court, Your  
11:16:42 5 Honor. At this time, Defendant, Wells Fargo, rests its  
11:16:45 6 case.

11:16:45 7 THE COURT: All right. Ladies and gentlemen, the  
11:16:51 8 Defendant has rested its case-in-chief.

11:16:53 9 Does Plaintiff have a rebuttal case to offer?

11:16:58 10 MR. SHEASBY: Your Honor, at this time, Plaintiff  
11:17:02 11 calls Wells Fargo's executive Armin Ajami in its rebuttal  
11:17:04 12 case by deposition.

11:17:04 13 THE COURT: Proceed with your rebuttal witness by  
11:17:08 14 deposition.

11:17:08 15 MR. SHEASBY: Thank you, Your Honor.

11:17:13 16 (Videoclip played.)

11:17:18 17 QUESTION: Sir, can you state your full name for  
11:17:20 18 the record?

11:17:20 19 ANSWER: Sure, Armin Ajami.

11:17:23 20 QUESTION: Where are you employed, sir?

11:17:24 21 ANSWER: Wells Fargo.

11:17:26 22 QUESTION: When did you begin to work for Wells  
11:17:29 23 Fargo?

11:17:29 24 ANSWER: 2004.

11:17:30 25 QUESTION: What is your current position at Wells

11:17:32 1 Fargo.

11:17:32 2 ANSWER: I am a strategic planning manager.

11:17:35 3 QUESTION: So to be clear, you don't recall if you  
11:17:37 4 were aware that USAA had launched a mobile check deposit  
11:17:44 5 system at the time you were planning on launching one for  
11:17:49 6 Wells Fargo, is that your testimony?

11:17:51 7 ANSWER: At the time -- yeah, I just -- I don't  
11:17:54 8 remember. I know we found out about it later. I don't  
11:17:56 9 know at the time, when they were about to make a decision  
11:17:59 10 to start looking at it in late 2009, whether USAA was in  
11:18:04 11 the market or not.

11:18:05 12 QUESTION: Sir, Wells Fargo examined USAA's mobile  
11:18:11 13 check deposit application while it was designing its  
11:18:14 14 system, yes or no?

11:18:14 15 ANSWER: Again, can you defined "examined"?  
11:18:20 16 Because what I'm saying is, we looked at the user  
11:18:23 17 experience, so if that's your definition of examined, then  
11:18:26 18 that's fine. But I don't know what you mean by examined.

11:18:27 19 QUESTION: Sir, under user experience, you mean  
11:18:30 20 the operation of the app, correct?

11:18:32 21 ANSWER: No. No, it's the flow, the user  
11:18:35 22 experience is how -- how the customer interacts with the  
11:18:38 23 application.

11:18:40 24 QUESTION: You've looked at the USAA's mobile  
11:18:43 25 check deposit application, correct?

11:18:44 1 ANSWER: The application itself? I don't recall.  
11:18:48 2 We either got information through a third party, they had  
11:18:52 3 publicly available information, or if it was available --  
11:18:55 4 if someone had to have access to USAA's -- someone had to  
11:19:00 5 have an account at USAA to see the USAA experience. That's  
11:19:04 6 why I don't recall if someone actually did that, or we just  
11:19:06 7 got it through the publicly available information that was  
11:19:10 8 already out there and released through third parties.

11:19:12 9 QUESTION: You talked to Mitek about the USAA  
11:19:14 10 system, fair?

11:19:15 11 ANSWER: No, we did not talk to Mitek directly  
11:19:17 12 about USAA's system.

11:19:18 13 QUESTION: Why did you use the word "directly"?

11:19:20 14 ANSWER: I don't know. We didn't talk to Mitek  
11:19:25 15 about USAA.

11:19:25 16 QUESTION: But you wanted people who used mobile  
11:19:29 17 banking to continue to utilize ATMs and stores for check  
11:19:35 18 deposits; is that correct?

11:19:36 19 ANSWER: Our position -- our view -- our viewpoint  
11:19:41 20 was customers should choose whatever channel they want to  
11:19:45 21 choose that's most convenient for them. Some people are  
11:19:48 22 going to want to come into stores and branches, visit the  
11:19:52 23 ATM. For some people self-service using a digital channel  
11:19:55 24 like mobile makes the most sense. So ultimately, it's a  
11:20:00 25 customer choice. We weren't forcing or incenting anyone to

11:20:03 1 use a mobile solution.

11:20:04 2 QUESTION: You told your managers that your  
11:20:08 3 competitors embrace a mobile check deposit and made it,  
11:20:14 4 quote, a table stakes capability, correct?

11:20:18 5 ANSWER: Correct, yeah.

11:20:20 6 QUESTION: You had very particular criteria for  
11:20:22 7 choosing the type of mobile deposit system you were going  
11:20:25 8 to use, fair?

11:20:26 9 ANSWER: That's fair.

11:20:27 10 QUESTION: You wanted one that was going to  
11:20:28 11 provide the simplest experience possible, correct?

11:20:31 12 ANSWER: That's correct.

11:20:31 13 QUESTION: You wanted one that would provide the  
11:20:33 14 high -- the lowest rate of exceptions and rejected checks,  
11:20:39 15 correct?

11:20:39 16 ANSWER: I think -- yes, I think generally  
11:20:40 17 speaking, yes.

11:20:41 18 QUESTION: Document, Exhibit 2, this business  
11:20:44 19 strategy presentation on mobile check deposit was something  
11:20:48 20 that evolved over a number of years, correct?

11:20:50 21 ANSWER: It did.

11:20:51 22 QUESTION: And in this document that evolved over  
11:20:53 23 a number of years that you sent to your managers, the first  
11:20:57 24 working mobile check deposit system that you identify in  
11:20:59 25 this document to your managers was USAA's system, fair?

11:21:07 1 ANSWER: Sir, you said first working mobile  
11:21:10 2 deposit system?

11:21:11 3 QUESTION: Yes.

11:21:12 4 ANSWER: I mean, the first one we knew of was  
11:21:16 5 Mitek's solution that they had and they were talking about,  
11:21:19 6 as a vendor trying to sell it --

11:21:19 7 QUESTION: Sure.

11:21:21 8 ANSWER: -- to banks, right? That's -- that's  
11:21:23 9 what we knew of. USAA definitely showed up. So was it the  
11:21:26 10 first one? I don't know.

11:21:27 11 QUESTION: And you also needed to make it highly  
11:21:31 12 accurate. In other words, part of seamlessness is not just  
11:21:34 13 that it's easy for the customer to use. Part of it is that  
11:21:37 14 you get images of sufficient quality such that they can be  
11:21:41 15 legally deposited, fair?

11:21:43 16 ANSWER: I think that's fair.

11:21:45 17 QUESTION: And those were both extremely high  
11:21:47 18 priorities for you, fair?

11:21:48 19 ANSWER: They were definitely high properties.

11:21:51 20 QUESTION: In fact, seamlessness and success are  
11:21:54 21 the two highest priorities that you were focused on --

11:21:58 22 ANSWER: You know, that's a good --

11:21:58 23 QUESTION: -- in terms of the quality of the  
11:22:00 24 system?

11:22:00 25 ANSWER: That's a good question, I don't know if I



11:22:02 1 would actually say it that way. I would say the risk  
11:22:05 2 component of the solution, not just the check acceptance  
11:22:09 3 risk of the image but actually the new risk of the mobile  
11:22:14 4 solution was going to introduce in the marketplace was  
11:22:16 5 actually the No. 1 issue we were --

11:22:18 6 QUESTION: That's the fraud risk?

11:22:19 7 ANSWER: That's the fraud risk. I mean --

11:22:22 8 QUESTION: And it turns out that there is  
11:22:24 9 essentially negligible fraud risk associated with mobile  
11:22:28 10 check deposit, right?

11:22:28 11 ANSWER: No, I wouldn't -- I would not agree with  
11:22:30 12 that. There is fraud risk associated with it, and we were  
11:22:33 13 -- we're seeing like a duplicate deposit, right? So --

11:22:37 14 QUESTION: The Wells Fargo 2.0 mobile capture  
11:22:41 15 system, you told your executives there was going to be an  
11:22:45 16 increase in check capture success from 75 percent to  
11:22:49 17 90 percent, correct?

11:22:50 18 ANSWER: Yes, that was our projection, to get to  
11:22:53 19 90 percent.

11:22:53 20 QUESTION: And that was -- and that system that  
11:22:57 21 you embraced, the Wells Fargo 2.0 system, was an auto  
11:23:02 22 capture system, correct?

11:23:04 23 ANSWER: It was an auto capture system.

11:23:06 24 QUESTION: And by auto capture system, that means  
11:23:09 25 there was autonomous assessment of the quality of the image

11:23:14 1 by the system, correct?

11:23:18 2 ANSWER: That's a good question. There -- I'm not  
11:23:23 3 100 percent sure how it worked under the covers.

11:23:25 4 QUESTION: In other words --

11:23:26 5 ANSWER: Yeah.

11:23:26 6 QUESTION: -- when you were making the decision to  
11:23:29 7 embrace auto capture for your mobile deposit system in  
11:23:33 8 2013, you based that on the assessment that you would be  
11:23:35 9 able to go from a 75 percent success rate --

11:23:39 10 ANSWER: Right.

11:23:40 11 QUESTION: -- to a 90 percent success rate?

11:23:43 12 ANSWER: That was one of the -- that was  
11:23:45 13 definitely one of the features that was prominent in that  
11:23:49 14 project.

11:23:49 15 QUESTION: You have no factual basis to disagree  
11:23:52 16 with the Futurion statement that auto capture must now be  
11:23:55 17 treated as a must-have feature across all strata of the  
11:23:56 18 financial services industry, correct?

11:23:57 19 ANSWER: Yeah, I don't think I have any.

11:24:00 20 QUESTION: Now, I want to talk about the benefits  
11:24:09 21 that are associated with mobile check deposit capture.

11:24:14 22 ANSWER: Uh-huh.

11:24:14 23 QUESTION: One of the benefits that's associated  
11:24:16 24 with mobile check deposit capture is if you're successful  
11:24:20 25 at capturing the check image, it's cheaper to deposit using

11:24:26 1 mobile check deposit for Wells Fargo than via an ATM or a  
11:24:32 2 bank teller, fair?

11:24:35 3 ANSWER: Yes, we looked at all channels, and it  
11:24:39 4 was cheaper -- the marginal cost was cheaper for mobile  
11:24:43 5 deposit.

11:24:43 6 QUESTION: If you can answer my question yes or  
11:24:46 7 no. As of January of 2011, your best estimate that you  
11:24:55 8 were telling to your managers was if you were able to  
11:25:00 9 successfully deposit an image using mobile capture, it  
11:25:03 10 would cost you 46 cents. And if you couldn't do that, it  
11:25:06 11 would be 82 cents through an ATM or \$2.55 through a teller.

11:25:12 12 ANSWER: Yes.

11:25:13 13 QUESTION: You told your superiors that there was  
11:25:16 14 a dramatic shift in check deposit behavior after mobile  
11:25:22 15 deposit adoption, correct?

11:25:23 16 ANSWER: There was -- yes, there was a dramatic  
11:25:27 17 shift in check deposit behavior by the people who adopted  
11:25:30 18 the service.

11:25:31 19 QUESTION: You told your superiors that over a  
11:25:34 20 very, very short period of time --

11:25:36 21 ANSWER: Uh-huh.

11:25:37 22 QUESTION: -- there was a 15 percent decrease in  
11:25:41 23 ATM usage and a 9 percent decrease in teller usage among  
11:25:45 24 folks who use mobile check deposit.

11:25:47 25 ANSWER: Who adopted it. Yeah, I believe those

11:25:50 1 numbers are correct.

11:25:51 2 QUESTION: And those -- behavior shifting  
11:25:56 3 continued over time, correct? It didn't plateau there.

11:26:00 4 ANSWER: That's a good question. It plateaued at  
11:26:08 5 some point. It didn't go to zero. I think what we did  
11:26:11 6 see, people continued to use all three channels, again,  
11:26:14 7 based on whatever is convenient for the customer. But the  
11:26:14 8 folks who did adopt mobile deposit, their incidence rate  
11:26:14 9 and their time for using the ATM and there were checks that  
11:26:23 10 were deposited --

11:26:23 11 THE REPORTER: I'm sorry.

11:26:25 12 ANSWER: The folks who adopted mobile deposit,  
11:26:28 13 their usage of the ATM and teller line decreased over time,  
11:26:32 14 and it did plateau at some point. I think you're referring  
11:26:35 15 to some study we did, but I think if you looked at it  
11:26:39 16 longer term, it didn't -- it didn't drop to zero, right,  
11:26:42 17 their usage of ATM or tellers. It stopped at a certain  
11:26:45 18 percentage.

11:26:46 19 QUESTION: When you're making the analysis for  
11:26:48 20 mobile check deposit, one of the benefits you considered is  
11:26:51 21 that it would grow the amount of deposits, correct?

11:26:54 22 ANSWER: It was -- it was one of the benefits we  
11:26:55 23 considered.

11:26:57 24 QUESTION: When Wells Fargo was making the  
11:27:00 25 decision -- the business decision to launch mobile deposit,

11:27:03 1 it concluded that a successful mobile check deposit capture  
11:27:10 2 would be 20 cents and that an ATM would be more than double  
11:27:15 3 the cost and that a teller would be more than 10 times the  
11:27:18 4 cost. That was the basis under which it was making the  
11:27:21 5 decision, fair?

11:27:22 6 ANSWER: At this time, May 2011, that's what we  
11:27:27 7 were talking about. It may have been updated before a  
11:27:30 8 final decision was made because we didn't launch the  
11:27:33 9 product until May 2012, one year later. So this may have  
11:27:38 10 evolved.

11:27:39 11 So when the final decision was made, it may have  
11:27:43 12 been a different number, I don't know. But at this time,  
11:27:46 13 in May 2011, is the number we were working with. This was  
11:27:49 14 the assumption.

11:27:50 15 QUESTION: So if you were to give your best  
11:27:53 16 testimony to the jury as to what was the cost differential  
11:27:58 17 that Wells Fargo was viewing when it made the decision to  
11:28:00 18 launch, it would be 20 cents for successful mobile check  
11:28:04 19 capture, it would be more than double the cost for an ATM,  
11:28:08 20 and be more than 10 times the cost for a teller deposit,  
11:28:15 21 correct?

11:28:15 22 ANSWER: Well, according to this document, that's  
11:28:17 23 what we're saying. And I'm not aware of anything else  
11:28:19 24 after this --

11:28:19 25 QUESTION: Okay.

11:28:19 1 Answer: -- that we've seen.

11:28:20 2 QUESTION: So your views of the benefits of mobile  
11:28:24 3 check deposit are, one, decrease in deposit costs, correct?

11:28:28 4 ANSWER: Correct.

11:28:30 5 QUESTION: Two, an expansion in deposits via an  
11:28:35 6 expansion in customers, correct?

11:28:36 7 ANSWER: Potential -- we sort of listed it as a  
11:28:39 8 potential expansion.

11:28:40 9 QUESTION: And that's -- and then, third, would be  
11:28:42 10 what we're describing as this ecosystem effect, which it's  
11:28:48 11 not just that they're depositing more money with you folks  
11:28:50 12 but they're buying other products and services from you?

11:28:52 13 ANSWER: Potentially right. You deepen a  
11:28:53 14 relationship with the customer. You earn their business.

11:28:54 15 QUESTION: When Wells Fargo employs mobile check  
11:28:58 16 deposit --

11:28:58 17 ANSWER: Yeah.

11:28:59 18 QUESTION: -- it saves money, and it redeploys  
11:29:02 19 that money to other areas of its business?

11:29:05 20 ANSWER: I think that's fair to say. Yeah, it  
11:29:07 21 saves money and we're -- we apply those savings, right?

11:29:12 22 QUESTION: So as Wells Fargo's representative, you  
11:29:16 23 can confirm that there were multiple communications by  
11:29:20 24 USAA's representatives to Wells Fargo before this lawsuit  
11:29:22 25 was filed, correct?

11:29:23 1 ANSWER: Yes, there is email, in-person meetings,  
11:29:28 2 phone calls.

11:29:28 3 QUESTION: And the Wells Fargo lawyers who  
11:29:30 4 received those communications were aware of the patents in  
11:29:34 5 this case, correct?

11:29:36 6 ANSWER: They were aware of the patents that USAA  
11:29:41 7 claims once USAA made the claim. They may -- they made a  
11:29:49 8 broad announcement, right? USAA made a broad announcement  
11:29:53 9 about patents they had in this space, publicly, and they  
11:29:56 10 were aware of that at that time.

11:29:58 11 QUESTION: So as Wells Fargo's corporate  
11:30:01 12 representative, you're testifying that on multiple  
11:30:04 13 occasions before Wells Fargo launched its product, Wells  
11:30:08 14 Fargo employees attended public presentations, industry  
11:30:13 15 conferences where USAA was discussing its Mobile@Deposit  
11:30:20 16 product?

11:30:20 17 ANSWER: Yes. Yeah.

11:30:21 18 QUESTION: Do you have data on whether mobile  
11:30:27 19 check deposit has increased or decreased purchases or use  
11:30:31 20 of other services and products at Wells Fargo.

11:30:33 21 ANSWER: Right. So do we have data on mobile  
11:30:44 22 deposit, has it increased use -- purchase of other  
11:30:48 23 products? I think -- I think the answer is no. No, I  
11:31:00 24 think the only time we looked at anything was -- it was a  
11:31:06 25 general sort of advanced analytics research on the early

11:31:11 1 adopter of mobile deposit, what they looked like, was it --

11:31:14 2 THE REPORTER: I just missed a word.

11:31:17 3 THE WITNESS: Sure.

11:31:18 4 THE REPORTER: Was a general sort of --

11:31:21 5 ANSWER: What we looked at was a general sort of

11:31:24 6 profile of -- of the early adopters of mobile deposit once

11:31:28 7 we launched, similar presentations which you showed earlier

11:31:35 8 with the -- the channel usage, the ATM and mobile and the

11:31:41 9 teller line. And in that research, we just looked at -- to

11:31:46 10 see, like, how many accounts do the early adopters have

11:31:50 11 with Wells Fargo versus people that didn't adopt.

11:31:52 12 So it's not exactly what you're asking for, but

11:31:55 13 we -- it was in the analysis. It was a general figure of

11:31:59 14 who was adopting the product. And typically, it was people

11:32:04 15 who were really engaged with the bank already are the ones

11:32:07 16 who were using the product.

11:32:09 17 I don't think there was anything else as far as --

11:32:14 18 anything about cross-selling or acquiring other products

11:32:16 19 after mobile deposit usage.

11:32:18 20 QUESTION: And you also know that mobile check

11:32:23 21 deposit is a table stakes requirement in today's banking

11:32:28 22 environment, fair?

11:32:29 23 ANSWER: Mobile deposit as a whole? Yeah, it's

11:32:32 24 now been established -- definitely it's table stakes.

11:32:36 25 QUESTION: And you also know that mobile deposit



11:32:39 1 is a way of making your customers stickier and more engaged  
11:32:44 2 with you, fair?

11:32:45 3 ANSWER: I think mobile deposit is one of many  
11:32:48 4 ways we try to engage customers.

11:32:50 5 QUESTION: Sir, in your presentations to  
11:32:53 6 executives in 2011 and 2013, you quoted customers who said  
11:32:58 7 they're going to leave Wells Fargo if we don't offer --

11:32:58 8 ANSWER: Sure.

11:33:02 9 QUESTION: -- mobile check database, correct?

11:33:03 10 ANSWER: Correct. And we get that all the time  
11:33:06 11 for a lot of features. We don't know if they actually do  
11:33:08 12 or not, but it was bubbling up as a service people wanted  
11:33:11 13 to have.

11:33:11 14 QUESTION: It was not bubbling up. It was the No.  
11:33:15 15 1 pain point among your customers in the mobile space when  
11:33:20 16 you launched the feature.

11:33:23 17 ANSWER: Right.

11:33:23 18 (Videoclip ends.)

11:33:24 19 THE COURT: Does that complete this witness by  
11:33:27 20 deposition?

11:33:27 21 MR. SHEASBY: It does, Your Honor.

11:33:28 22 THE COURT: All right. Plaintiffs, call your next  
11:33:32 23 rebuttal witness.

11:33:32 24 MR. SHEASBY: Your Honor, Plaintiff, USAA, rests  
11:33:35 25 its rebuttal case.

11:33:36 1 THE COURT: All right. Thank you.

11:33:38 2 Ladies and gentlemen of the jury, that means you  
11:33:51 3 have now heard all the evidence in this case.

11:33:53 4 There are certain matters I need to take up with  
11:33:55 5 counsel outside of your presence, and I suspect they will  
11:34:00 6 take the majority of the rest of the day.

11:34:02 7 The good news is, that means lunch is waiting for  
11:34:06 8 you in the jury room. And after lunch, you're free to  
11:34:09 9 leave. As a matter of fact, if you'd rather not eat lunch  
11:34:13 10 in the jury room and leave immediately, you may. Or you  
11:34:16 11 may take it with you. It's up to you. I'm not going to  
11:34:18 12 require your presence this afternoon or into the evening.  
11:34:23 13 You're going to have the rest of the day off.

11:34:25 14 I am, however, going to ask you to be back in the  
11:34:27 15 morning ready to go at the usual time that we've started  
11:34:29 16 all week, which is 8:30.

11:34:32 17 Be sure, as you leave today, that you continue to  
11:34:35 18 follow all the instructions I've given you about your  
11:34:39 19 conduct. We are getting close to the end, and it is as  
11:34:43 20 important now as it was Day 1 that you make sure that you  
11:34:47 21 don't communicate with anyone in any way about the case,  
11:34:50 22 including the eight of you.

11:34:52 23 I anticipate that when you're here in the morning,  
11:34:56 24 the Court will be in a position to begin by giving you its  
11:35:00 25 final jury instructions, which is often called the Court's

11:35:04 1 charge to the jury.

11:35:05 2           Following my final instructions to you, I  
11:35:09 3 anticipate that the lawyers for both Plaintiff and  
11:35:11 4 Defendant will then present their closing arguments. And  
11:35:17 5 when you've heard closing arguments from counsel, then I  
11:35:19 6 will instruct you to retire and deliberate on the verdict  
11:35:23 7 form that will be presented to you.

11:35:24 8           Once you get to the jury room to begin your  
11:35:27 9 deliberations, then things shift, and you go from not being  
11:35:33 10 able to discuss the case with each other to being required  
11:35:36 11 to discuss the case and the evidence that you've heard with  
11:35:39 12 each other in light of my instructions and the questions in  
11:35:42 13 the verdict form in an attempt to answer those questions  
11:35:46 14 unanimously.

11:35:47 15           So please leave your juror notebooks on the table  
11:35:50 16 in the jury room as you leave. You're welcome to stay for  
11:35:53 17 lunch. I leave that completely up to you. Otherwise,  
11:35:56 18 you're excused for the remainder of the day, and I will see  
11:35:59 19 you in the morning.

11:36:00 20           The jury is excused at this time.

11:36:01 21           COURT SECURITY OFFICER: All rise.

11:36:03 22           (Jury out.)

11:36:29 23           THE COURT: Be seated, please.

11:36:30 24           Am I to understand that Defendants care to make an  
11:36:37 25 offer of proof outside the presence of the jury?

11:36:39 1 MR. MELSHEIMER: Yes, Your Honor. And with the  
11:36:42 2 Court's permission, Ms. Marcom and Mr. McCullough are going  
11:36:50 3 to read in the offer of proof.

11:36:51 4 THE COURT: How long do you anticipate that will  
11:36:52 5 take?

11:36:52 6 MR. MELSHEIMER: Five to ten minutes at most, Your  
11:36:55 7 Honor.

11:36:55 8 THE COURT: All right. If you're prepared, let's  
11:36:56 9 get that done now.

11:36:58 10 MR. MELSHEIMER: Thank you, Your Honor.

11:36:59 11 THE COURT: Defendant may now proceed to make its  
11:37:00 12 offer of proof for the record.

11:37:01 13 MS. MARCOM: May it please the Court. Kate Marcom  
11:37:17 14 for Wells Fargo.

11:37:18 15 THE COURT: Please proceed, Ms. Marcom.

11:37:20 16 MS. MARCOM: Pursuant to Rule 103 of the Federal  
11:37:20 17 Rules of Evidence, Defendant, Wells Fargo Bank, tenders its  
11:37:23 18 offer of proof regarding certain excluded evidence and  
11:37:26 19 states as follows.

11:37:27 20 THE COURT: If you will please slow down as you  
11:37:30 21 read.

11:37:30 22 MS. MARCOM: Wells Fargo offered evidence relating  
11:37:32 23 to the cost to Wells Fargo to implement auto capture.  
11:37:35 24 Specifically, Wells Fargo offered the testimony of Wells  
11:37:38 25 Fargo employee Mr. Ajami, who testified during his

11:37:41 1 deposition that Wells Fargo paid no additional cost for the  
11:37:45 2 licensee for auto capture.

11:37:46 3 THE COURT: And, again, I'm going to ask you to  
11:37:47 4 slow down.

11:37:48 5 MS. MARCOM: Sorry. Sorry, Your Honor.

11:37:50 6 And that while there was an amendment to Wells  
11:37:55 7 Fargo's licensing agreement with Fiserv for the MRDC auto  
11:37:58 8 capture feature, there was no charge for it.

11:38:00 9 The Court excluded this testimony prior to trial,  
11:38:03 10 starting on November 4th, 2019.

11:38:05 11 Wells Fargo offered the deposition testimony of  
11:38:09 12 USAA employee Mr. Prasad, who testified that USAA was aware  
11:38:13 13 that Wells Fargo used Mitek's Mobile Deposit Solution  
11:38:17 14 around the 2011 to 2012 time frame. Mr. Prasad also  
11:38:23 15 testified that Claim 1 of the '571 patent requires capture  
11:38:26 16 of the image after the monitoring criteria has been  
11:38:30 17 satisfied and that the '571 patent talks about monitoring  
11:38:33 18 an image and having a set of monitoring criteria it looks  
11:38:37 19 to for the image to pass and then captures the image.

11:38:40 20 The Court excluded this testimony prior to trial,  
11:38:43 21 starting November 4th, 2019.

11:38:45 22 In its trial brief regarding USAA's opening the  
11:38:49 23 door to evidence relating to other banks filed at Document  
11:38:53 24 No. 312 in this case, Wells Fargo offered evidence  
11:38:56 25 regarding the use of manual capture and auto capture by

11:38:59 1 other banks, including deposition testimony of Mitek  
11:39:03 2 employees, Mr. Price and Mr. Fernandez.

11:39:08 3 Mr. Price's deposition testimony would have  
11:39:09 4 established that it would be approximately 6100 financial  
11:39:14 5 institutions deploying Mitek's MRDC software, fewer than  
11:39:18 6 1,000 use auto capture.

11:39:20 7 Mr. Fernandez would have testified from his  
11:39:22 8 firsthand knowledge that when Chase implemented auto  
11:39:25 9 capture in 2018, it experienced a 3 percent improvement in  
11:39:29 10 image acceptance rates.

11:39:30 11 Evidence would have also been offered that Chase,  
11:39:32 12 using manual capture, accomplished over 20 million deposits  
11:39:34 13 per quarter during the relevant time period of the  
11:39:38 14 hypothetical negotiation and thereafter.

11:39:39 15 The Court denied Wells Fargo's trial brief on the  
11:39:42 16 record on November 4th, 2019.

11:39:45 17 THE COURT: Ms. Marcom, please slow down.

11:39:47 18 MS. MARCOM: I'm sorry, Your Honor.

11:39:49 19 THE COURT: I know it's hard when you're reading,  
11:39:51 20 but it's important that you slow down.

11:39:53 21 MS. MARCOM: Yes, Your Honor.

11:39:54 22 Prior to trial, Wells Fargo had offered additional  
11:39:57 23 deposition testimony of Mr. Price which the Court excluded  
11:39:59 24 on the record during the pre-trial conference dated October  
11:40:03 25 28th, 2019.

11:40:03 1 The offered testimony related to the purchase  
11:40:07 2 price for the MiSnap auto capture product, including that  
11:40:11 3 for almost all of the 1,000 Mitek customers that use  
11:40:16 4 MiSnap, there are no charges associated with MiSnap.

11:40:18 5 Mr. Price also testified that only nine or 10  
11:40:23 6 companies pay Mitek directly for MiSnap, and that those  
11:40:25 7 companies pay between 20 and \$40,000.00 per year.

11:40:29 8 During the pre-trial conference held on October  
11:40:33 9 17th, 18th, and 21st, 2019, Wells Fargo offered multiple  
11:40:38 10 pieces of evidence that were excluded by the Court.

11:40:40 11 Wells Fargo offered evidence relating to the  
11:40:45 12 prosecution history regard -- regarding representations to  
11:40:49 13 the Patent Office made by USAA which are relevant to a  
11:40:52 14 number of issues, including Georgia-Pacific Factors 9 and  
11:40:57 15 10.

11:40:57 16 Specifically, Wells Fargo offered evidence that in  
11:41:01 17 the prosecution of the '571 patent, USAA acknowledged  
11:41:05 18 Graham as a means for capturing images automatically that  
11:41:09 19 differed from the specific method of auto capture claimed  
11:41:12 20 in the asserted patents.

11:41:13 21 The Court excluded evidence relating to the  
11:41:16 22 prosecution history in its decision to grant Plaintiff's  
11:41:19 23 Motion in Limine No. 4.

11:41:20 24 Wells Fargo offered evidence regarding customer  
11:41:25 25 satisfaction with and specific customer reviews of Wells

11:41:29 1 Fargo's Mobile Deposit product, which the Court excluded in  
11:41:33 2 its decision to grant Plaintiff's Motion in Limine No. 7.

11:41:36 3 The evidence would have been introduced through  
11:41:40 4 Ms. Margot Lockwood-Stein, who would have testified that  
11:41:43 5 she and her team review customer comments received by Wells  
11:41:47 6 Fargo relating to the mobile application and specifically  
11:41:50 7 for the Mobile Deposit product.

11:41:52 8 Ms. Lockwood-Stein would testify that she and her  
11:41:56 9 team used those customer reviews to analyze what customers  
11:41:58 10 like and dislike about the product and to make decisions to  
11:42:02 11 improve the customer experience and the product.

11:42:04 12 The offered evidence would have included such  
11:42:08 13 example comments as: The auto capture feature never works  
11:42:11 14 no matter how steady I try to be and give me the ability to  
11:42:15 15 manually capture the image without messing with the  
11:42:17 16 automatic capture. It totally screws up the experience.

11:42:21 17 This evidence would have been offered to show the  
11:42:24 18 effect the comments had on Wells Fargo and how it motivated  
11:42:28 19 Wells Fargo to make changes to the product, including the  
11:42:31 20 decision to add the option for the customer to elect to  
11:42:34 21 capture the image manually instead of by auto capture.

11:42:38 22 Wells Fargo offered evidence relating to Mitek  
11:42:41 23 customers and their experiences implementing auto capture,  
11:42:45 24 which the Court excluded in its decision to grant  
11:42:47 25 Plaintiff's Motion in Limine No. 8.



11:42:49 1 The evidence would have been introduced through  
11:42:51 2 Mr. Fernandez who would have testified from his firsthand  
11:42:56 3 knowledge that when Chase implemented auto capture in 2018,  
11:42:58 4 it experienced a 3 percent improvement in image acceptance  
11:43:02 5 rates.

11:43:02 6 Mr. Fernandez would have also testified regarding  
11:43:05 7 the rates that Santander and other Mitek customers  
11:43:10 8 experienced when implementing auto capture.

11:43:12 9 Wells Fargo offered evidence related to Wells  
11:43:17 10 Fargo's contracts with Fiserv and Carreker through the  
11:43:17 11 accused systems and that Wells Fargo paid no additional  
11:43:21 12 money when it received auto capture capability from its  
11:43:25 13 vendor.

11:43:25 14 The Court excluded this evidence in its decision  
11:43:27 15 to grant Plaintiff's Motion in Limine No. 10.

11:43:30 16 Wells Fargo offered evidence relating to patents  
11:43:33 17 that Mitek owns in the mobile deposit capture space which  
11:43:38 18 the Court excluded in granting Plaintiff's Motion in Limine  
11:43:40 19 No. 2.

11:43:41 20 Wells Fargo offered evidence of USAA's licensing  
11:43:45 21 efforts and the fact that no other bank has taken a license  
11:43:49 22 to USAA's patents, which is relevant to Georgia-Pacific  
11:43:52 23 Factor 3, 4, and 15 and the hypothetical negotiation  
11:43:57 24 between the parties.

11:43:57 25 Specifically, Wells Fargo offered evidence

11:44:01 1 relating to USAA's discussions with third-party banks and  
11:44:05 2 the views of those third-party banks regarding USAA's  
11:44:08 3 patents.

11:44:09 4 Wells Fargo offered evidence that USAA sent  
11:44:13 5 hundreds of letters to financial institutions in 2017  
11:44:16 6 regarding its patent portfolio and invited recipients to  
11:44:20 7 take a license to its patents.

11:44:22 8 Wells Fargo offered -- also offered evidence that  
11:44:25 9 not one recipient of the letters had taken a license to  
11:44:29 10 USAA's patents.

11:44:30 11 Wells Fargo offered statements from recipients of  
11:44:33 12 the letters reflecting that the recipients questioned the  
11:44:39 13 patentability and value of the technology. Wells Fargo  
11:44:41 14 sought to introduce this evidence through the opinion of  
11:44:42 15 its damages expert, Mr. Gerardi.

11:44:44 16 The Court excluded this portion of Mr. Gerardi's  
11:44:47 17 report during a pre-trial conference on October 18th, 2019.

11:44:49 18 For the reasons stated on the record at the  
11:44:52 19 pre-trial conferences, in open court, and in written  
11:44:56 20 submissions, the foregoing evidence should have been  
11:44:59 21 admitted into evidence.

11:45:00 22 Wells Fargo tenders this offer of proof and  
11:45:02 23 describes the excluded evidence for the purpose of  
11:45:04 24 compiling a complete evidentiary record.

11:45:07 25 In addition, Wells Fargo will make an offer of

11:45:09 1 proof regarding certain exhibits offered by Wells Fargo and  
11:45:13 2 excluded by the Court during the pre-trial conference held  
11:45:16 3 on October 21st, 2019, which Wells Fargo will file  
11:45:20 4 separately on the docket and attach copies of the excluded  
11:45:26 5 exhibits.

11:45:26 6 Thank you.

11:45:26 7 THE COURT: Does that complete your offer of  
11:45:28 8 proof?

11:45:29 9 MS. MARCOM: Yes, Your Honor.

11:45:29 10 THE COURT: All right.

11:45:30 11 MR. MELSHEIMER: Thank you, Your Honor, for your  
11:45:32 12 courtesies.

11:45:32 13 THE COURT: All right. Counsel, we're going to  
11:45:34 14 recess for lunch. I'm going to reconvene at 1:30.

11:45:41 15 At 1:30, I will take up motions under Federal Rule  
11:45:47 16 of Civil Procedure 50(a) that either Plaintiff or Defendant  
11:45:48 17 care to offer.

11:45:49 18 Let me just say this to you. In a recent trial at  
11:45:53 19 this juncture, I had a lawyer for one of the parties show  
11:45:57 20 up and read a 35-page motion that they had prepared. I do  
11:46:03 21 not anticipate listening to lawyers read 35-page motions at  
11:46:08 22 1:30.

11:46:09 23 I anticipate hearing succinct and targeted oral  
11:46:14 24 presentation as to the underlying substantive issues you  
11:46:17 25 may choose to raise under the rule.

11:46:19 1 So with that, we stand in recess until 1:30.

11:46:24 2 MR. MELSHEIMER: May I ask one point of  
11:46:26 3 clarification, Your Honor, about the -- are we then going  
11:46:28 4 to move into the charge conference after -- I just want to  
11:46:31 5 get a sense of --

11:46:32 6 THE COURT: After -- after I hear and deal with  
11:46:34 7 motions under Rule 50(a), as I indicated earlier, during  
11:46:38 8 pre-trial, I then intend to take up an informal charge  
11:46:41 9 conference in chambers to discuss the areas of disagreement  
11:46:44 10 on your latest submissions. After I've had the benefit of  
11:46:49 11 fulsome input and discussion from all parties through their  
11:46:53 12 counsel, I will take the time I believe necessary to factor  
11:46:57 13 that in, and I will generate what I believe to be the  
11:47:00 14 appropriate and proper final jury instruction and verdict  
11:47:04 15 form. I will deliver that to counsel, provide you an  
11:47:07 16 opportunity to review it. It should not take long because  
11:47:12 17 you will all know where the points are of disagreement that  
11:47:15 18 we talked about in the informal charge conference, and then  
11:47:18 19 I will conduct a formal charge conference on the record  
11:47:21 20 where either party may offer whatever objections for the  
11:47:24 21 benefit of their client they feel that their client's  
11:47:28 22 interest requires.

11:47:29 23 After we've completed the formal charge  
11:47:32 24 conference, then we'll be prepared first thing in the  
11:47:35 25 morning to bring in the jury. I will give them my final

11:47:38 1 instructions, and you will present your closing arguments.

11:47:40 2 I do not anticipate that we'll be prepared or ready for

11:47:43 3 closing arguments before tomorrow morning.

11:47:46 4 MR. MELSHEIMER: Understood, Your Honor.

11:47:46 5 THE COURT: Also, those of you that are going to

11:47:49 6 present closing arguments are not required to participate

11:47:53 7 in the informal or formal charge conference as long as that

11:47:58 8 is adequately staffed by your co-counsel. You're entitled

11:48:02 9 to use the intervening time to prepare for your closing

11:48:04 10 arguments tomorrow.

11:48:05 11 Do we know at this point who will be presenting

11:48:07 12 the closing arguments for the respective parties? I assume

11:48:11 13 you will for the Defendant.

11:48:12 14 MR. MELSHEIMER: Yes, Your Honor. Actually,

11:48:14 15 with -- with the Court's permission, Mr. Hill and I were

11:48:18 16 going to divide up the time we have been allotted by the

11:48:22 17 Court.

11:48:22 18 THE COURT: All right. What about for Plaintiff?

11:48:23 19 MR. SHEASBY: Your Honor, Mr. Bunt and I will also

11:48:26 20 be jointly speaking with your permission.

11:48:29 21 THE COURT: Well, you -- you four gentlemen are

11:48:32 22 not required to be here this afternoon if you would rather

11:48:36 23 use the intervening time for preparation purposes, and as

11:48:40 24 long as these matters are adequately staffed -- and there's

11:48:44 25 no doubt in my mind we have enough lawyers to cover

11:48:47 1 everything. If you want to be here and participate, you're  
11:48:51 2 certainly welcome.

11:48:54 3 I would say during the informal charge conference,  
11:48:57 4 this is often an opportunity for the younger lawyers to  
11:49:00 5 have a participatory role, and I encourage you to include  
11:49:04 6 all the members of your trial teams that are not preparing  
11:49:07 7 for closing arguments in the informal charge conference.

11:49:10 8 With that, we stand in recess until 1:30.

11:49:12 9 COURT SECURITY OFFICER: All rise.

10 (Recess.)

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CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and correct transcript from the stenographic notes of the proceedings in the above-entitled matter to the best of my ability.

/S/ Shelly Holmes  
SHELLY HOLMES, CSR, TCRR  
OFFICIAL REPORTER  
State of Texas No.: 7804  
Expiration Date: 12/31/20

11/5/19  
Date